









## THE FALL OF PROTECTION



THE  
FALL OF PROTECTION  
1840—1850

BY  
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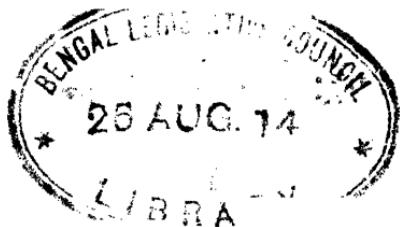
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**DEDICATED  
TO MY FRIEND  
FREDERICK SCOTT OLIVER  
THE AUTHOR OF  
“ALEXANDER HAMILTON.”**





## PREFACE

IN my book entitled "Imperium et Libertas," published in the year 1901, I attempted to examine some great transactions in various quarters of the world, whence gradually emerged a new political conception of the British Empire. Time and space and insufficient knowledge then prevented me from dealing in that book, as I should have wished to deal, with the commercial or trade-relations side of that history, and I did little more than indicate it. Notwithstanding a desire to write again on that subject, I was for long unable to do so by reason of the constant pressure of other employments. One of these occupations was, however, most instructive. I worked for four and a half years, as private secretary to two successive Secretaries of State, at the very centre of the Colonial Office, which is itself one of our three great centres of information from the whole Empire, and the most comprehensive of the three. One experience chanced to be that of attendance throughout the sittings of the Imperial Conference of 1907, since I had the free entrance of that great Council Chamber, and the proceedings, made more living by sight and hearing, certainly, as the French say, gave to think. At a later time, in preparing the

"Life of the Duke of Devonshire," I had to examine closely the political events of 1903 to 1908, which turned so much upon questions of imperial trade relations.

This book is mainly a study of the decade 1840 to 1850, during which, substantially, took place a real revolution, or, in the more vivid Anglo-Saxon, a turn right round of the wheel. A long-standing system of trade control and political finance was reversed, the principles upon which it was founded were rejected, and ideas and practice of an opposite kind captured, and still hold, the field. This revolution was no less complete than that which convulsed the sphere of religious theory and ecclesiastical practice during the reigns of Henry VIII and Edward VI, nor are the two without some striking analogies. That deep thinker, the novelist Balzac, makes one of his characters remark that the moral world revolves like the physical, so that at stated intervals the same phenomena recur with variations in detail. Perhaps this is true, and, if so, the history of past events does contain, for the observant, some prediction of those still lying in the darkness of the future, and some guide for intelligent action. The use of history should be to prevent men from wasting their strength in the futile pursuit of impossible ends.

An old theological author once wrote that "God does not mean us to be impartial." This, if one considers it, must be so, for otherwise, surely, the All-wise would not have created men with temperaments or inclinations so profoundly opposed to each other. Through debate, incessant *per omnia sæcula sæculorum*, of opposing passions and conflicting creeds, the religious or political world is driven

uncomfortably on its way, taking, on the whole, a course intermediate between those diverging lines along which our various and contending human clans seek to urge it. I have not, therefore, exerted myself to *appear impartial*, although I am aware that a veil of that kind thrown over what I have written would have been rather in accordance with the academic tastes of to-day, and might have commended the book more securely to those, and their name is Legion, who distrust and dislike a decided opinion. But I have tried not to be *unfair*, in the sense of suppressing or misstating the facts and arguments which support opinions not my own. And, since the general course of human affairs is ordained rather by Fate or Providence than by men and parties, it may be admitted that the stage of history through which we have passed since the early part of Victoria's reign was, on the whole, as it should have been, or, at least, could not help being: "Things," says Spinoza, "could not have been produced by God in any other manner or order than they have been produced." According to Virgil's less absolute doctrine the ultimate destination of events is ruled and controlled by the Fates, but whether the voyage to an end shall be smooth or troubled, direct or circuitous, depends upon a mixture of the wills and characters of men, and the caprices of the lower deities. The hero may waste his time in some Circean island, or be detained too long by the charms of a Dido, hostile to the foundation of an Empire, and by the pledges of fidelity which he has given to her in moments of amorous passion, forgetful of his real mission, and of the high commands of Fate. He may hesitate

## PREFACE

too long between love of the present land and the call of destined kingdoms.

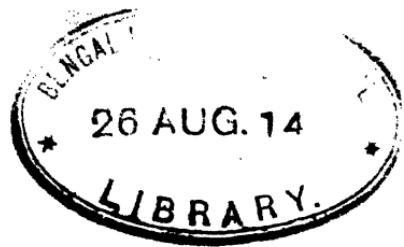
“Miserum inter amorem  
Præsentis terræ, fatisque vocantia regna.”

But, soon or late, and whether men follow consciously and willingly the divine leading, or are dragged along against their will, they reach the inevitable end.

I have felt at times, in writing, that, with so large a subject, I ought to have entered into more detail than the proposed dimensions of the book allowed. A French wit said that Montesquieu, instead of entitling his work “*L’Esprit des Lois*,” should have called it “*Esprit sur les Lois*,” and the jest indicates a real danger. One has to attempt, as well as one can, a line between, on the one side, being superficial, and, on the other, being unreadable by the many who have little time to devote to detailed study, and yet, in the end, decide the course of affairs.

B. H. H.

LONDON, *September*, 1913.



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# THE FALL OF PROTECTION

## CHAPTER I

### THE OLD NATIONAL SYSTEM

#### I

THE Whigs owed their fall in the elections of 1841 partly to their own internal quarrels over Irish and other questions, and partly to the weariness of the electorate, who, like the Athenian citizens, grew tired of hearing Aristides called "the Just." But the immediate cause of their preceding defeat in the House of Commons, confirmed at the elections, was their mild attempt to proceed upon the line of fiscal and tariff reform initiated some fifteen years earlier by Huskisson, the Tory Chancellor of the Exchequer. The elections turned largely upon these questions. The Protectionists of 1846 rightly asserted that Sir Robert Peel had carried out the policy pledged to resist which he and his followers had been placed in power. He had, indeed, carried it to a length undreamed of by Whig Ministers six years earlier. The old system had been overthrown by a series of measures striking at the principle of Protection. This was Peel's great deed. He made the revolution of policy, and succeeding Whig Governments, supported or guided by his disciples, did but complete it in detail. What was this system thus overthrown?

Our ancestors took it for granted, almost throughout English history, until the mid-nineteenth century, that Government should give a certain direction to national industry and commerce. This conviction is still held by almost all nations, and it is most scientifically carried into practice in the modern German Empire. Scientific the practice of our patriotic ancestors certainly was not, and it is doubtless true that policy, which in theory was based upon pure reason and regard to the interest of the commonwealth as a whole, was, in practice, constantly made subservient to powerful interests, each of which conscientiously identified the national interest with that of its own business. But "regulation of trade" by Government was accepted by every one as an obvious truth, though there were quarrels as to the best way of carrying it out. Minds so powerful as that of Edmund Burke had no doubt so far as concerned the principle. It was as much accepted as now is that extensive and intricate regulation of trade in the form of factory laws or laws intended to safeguard life on ships. Adam Smith first shook the principle by lucid reasonings intended to show that the "wealth of nations," so far as that was the object in view, was best secured not by control and restrictions, but by perfect freedom of industry and commerce. "Consumption," he said, "is the sole end and purpose of all production, and the interest of the producer ought to be attended to only so far as it may be necessary for promoting that of the consumer." But, just as we say that factory laws may not promote the greatest possible immediate wealth of the nation, but do promote its greater health, and therefore a more distant salvation, so Adam Smith, as

in his famous passage on the Navigation Laws, maintained that, in certain cases, the course most calculated to increase wealth and immediately benefit the consumer must be subordinated to higher controlling considerations, the luxuries to the necessities of national existence. Some of his less cautious and more academic successors forgot this far-reaching qualification, and assumed that perfect policy lay in perfect freedom of buying and selling. Yet, on the whole, Adam Smith's conclusion was strongly in favour of what he calls "the obvious and simple system of natural liberty." Under this system, he says :

" Every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interest in his own way, and to bring both his industry and capital into competition with those of any other man or order of men. The sovereign is completely discharged from a duty in the attempt to perform which he must always be exposed to innumerable delusions, and for the proper performance of which no human wisdom or knowledge could ever be sufficient ; the duty of superintending the industry of private people, and of directing it towards employments most suitable to the interest of the society."

The duties of the sovereign under the system of "natural liberty" are, according to Adam Smith, limited to national defence, the protection by law of individual citizens from wrong or oppression, and the maintenance of certain public works and institutions which no individuals or groups of individuals would, or could, maintain. In all this doctrine Adam Smith was far in advance of the belief and practice of his own day. The doctrine prevailed, although it was never fully carried into effect, during the reign of Victoria, and now

this once adored creed appears to be declining, or, at least, to be assuming a very different form, under an expanded interpretation.

## II

England, in the earlier centuries after the Norman Conquest, was, in the main, an agricultural country, obtaining her luxuries brought from abroad, mostly in foreign ships, by the exchange of some of her large surplus of rustic produce, chiefly wool. From the Tudor times the English aimed consciously at a large share in the shipping and carrying trade of the world, and at the possession of tropical regions. At a later time England became the greatest of manufacturing nations. The policy of her statesmen had varied at different times with varying circumstances, but their general aim remained constant. It was to promote by law and regulation, by restrictions on foreigners, by bounties and other means, the three great lines of advance in agricultural production, staple manufactures, and sea-carrying trade, and, in connection with the two latter objects, they endeavoured to extend the colonial dominions, and to monopolize and foster colonial trade. Montesquieu thought that the genius of the English nation was "moins occupée de sa prospérité que de son envie de la prospérité des autres; ce qui est son esprit dominant, comme toutes les lois d'Angleterre sur le commerce et la navigation le font assez voir" ("Notes sur l'Angleterre"). The old toast of "ships, colonies, and commerce" summed up this frankly egotistic and successful policy. These ideas were crystallized, systematized, and more ex-

pressly stated when, after the Civil War of the seventeenth century, and yet more after the Whig Revolution of 1688, religious and political questions yielded precedence to material and commercial passions, and an eager England, with internal questions for a while tolerably well settled, drove on unitedly in the direction of wealth and empire. The national policy had been so far successful that, when Peel assumed office in 1841, England stood a long way ahead of any country in the world in the practice of agriculture, in manufactures, in sea-carrying trade and shipping, and in colonial dominion. Undesignedly the ambitions of Napoleon, through their operations and their failure, brought English power and dominion to its then height, but his failure was very largely due to the position and resources to which England had already attained before his stormy career began. Oliver Cromwell and his Council, laying hands, by means which in modern England would be deemed unjust and unwise, upon the maritime world-tracks, started the force which grew as it rolled through the next hundred and fifty years, until at last it broke the power of the greatest European conqueror and ruler who had appeared since Julius Cæsar. Not nearly so much by our own small army did we effect this, as by subsidizing from our abundant wealth the continental hosts which gradually wore down the strength of Napoleon.

The arguments in favour of the old system, as well as those against it, will be stated later in more detail, but it may be said at this point that they were, in general, based upon the idea of self-preservation, exactly as now the vast expenditure upon

army and fleet is justified. The Government of no great nation, even though it could get warships more cheaply built, or guns and ammunition more cheaply manufactured, abroad than at home, and could thereby relieve its own taxpayers, would adopt this course, except in some minor degree. Without dockyards and arsenals of its own, it would feel itself too dependent on the amity of foreign nations, and at the mercy of any large combination of hostile Powers. This idea in eighteenth-century England was extended to agricultural produce. Unless, it was said, we grew enough to feed ourselves, even in a very bad harvest year, we might be starved into submission if, in a war, we lost command of the sea. This might very possibly have happened during the century preceding Trafalgar, when we had to face the permanent alliance of the two next greatest maritime Powers, France and Spain. The Navigation Laws, again, were defended largely on the ground that our commercial marine was the nursery and recruiting-ground of the mariners of England, on whose skill we relied when war made necessary a great and sudden expansion of the fleet. Subsequent changes in the nature of ships, in the art of navigation, in the financial power of maintaining a full war-navy in time of peace, and in modes of training men, did, indeed, weaken this argument, but then it was potent and sound.

Our earlier statesmen saw real merit in the old "mercantile system." According to this system an excess in the value of exports over that of imports, and the consequent attraction, as it was assumed, of a balance in coin or bullion into the country, was a test of successful policy. In days before the system

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of credit was so firmly established as it now is in England the possession of adequate gold and silver at the outbreak of a war was of real importance. Even now a great military Power like Germany, exposed to more sudden danger than our island, deems it prudent to keep in stock against war a special huge deposit of the precious metals. In these cases that which to landowners or shipowners or merchants appeared to be desirable from their own point of view appeared to statesmen in the eighteenth century to be desirable from a national point of view. It was the very success of this policy which led to its decline and fall. When England had become supreme on the oceans both with regard to war and commercial marine, when she was the first manufacturing nation in the world, the national arguments which had been used in favour of protecting home agriculture, shipping, and manufactures lost in force. The several great interests clashed with each other, and men were less anxious to maintain, at some cost, artificial defences of a position which seemed fairly secure. In respect of shipping and manufacture, England was like a Power so strong that it need not trouble about defensive fortifications. The restrictions and annoyances of the old system were now felt more keenly than its advantages. England had arrived at an age equivalent to that period in the life of a man when he no longer needs the assistance and protection given to youth, and does not yet require the supports necessary in old age. When the change from the old system to free trade had been effected, England progressed in prosperity no less than she had done before; indeed, just as a snowball grows with increas-

ing rapidity as by rolling its surface is extended, so in a growing England the rate of progress appeared, during the time which has elapsed since Peel's Government, to be more rapid than it was before.

The old system was overthrown by a change in the balance of real, and consequently of political power. In earlier days the urban population had been far outbalanced by the rural. But the inventions utilizing steam-power made at the end of the eighteenth and beginning of the nineteenth century, and the improvement in means of transport first by canals and then by steamboats and railways, rapidly increased the purely urban populations. The census of 1851 showed that, for the first time, the populations of urban and those of rural districts were very nearly equal, and since that date the rural population has continually declined relatively to the urban until it has become less than a quarter of the whole. The first great political result of this change was the Reform Act of 1832, the second was the Repeal of the Corn Laws in 1846. The Corn Laws were so intimately connected with the rest of the old national and imperial system that the fall of this great central column soon brought the rest of the edifice to the ground.

The object of the present work is to describe in some detail the character of that edifice, to give the history of its overthrow, to consider the results of that overthrow, and to examine some possibilities of the future. Sir John Seeley, when I sat with my coevals at his feet at Cambridge, constantly taught us that the real use of history was not to satisfy either idle or scientific curiosity, but to afford guidance in existing political action. If this is true,

few subjects can be more usefully studied at the present day than that to which the present book offers a modest contribution.

### III

The old English policy gave assistance or protection to agriculture, to manufacturing industries, to shipping, and to the Colonies. To make clear how the system stood when Sir Robert Peel assumed office in 1841, it will be best to take these main heads separately. But it may first be said that in all these cases the idea during the eighteenth century had been that of complete exclusion of foreign competition from our market, in the case of goods which could be produced or manufactured at home, and, in the case of shipping, from the coasting and colonial trade. Pitt, shortly before the war of the French Revolution, had initiated a policy of substituting, in some cases, protective duties, on the basis of treaties of reciprocity, for direct or virtual prohibition of foreign goods. His argument was that, since we had lost the great "tied" colonial market in the regions which had become the United States of America, we must find new markets, and to that end abandon entirely prohibitive duties, lower our duties, consolidate our customs, and enter into commercial treaties with foreign Powers upon terms of reciprocal treatment. This was the basis of the new treaty of commerce and navigation with France in 1787. This modification of policy was opposed by the Whigs. Charles James Fox denounced "those new principles of commercial reciprocity," and said that they formed "altogether a new system, in which

not only are the established doctrines of our fore-fathers departed from, but all the essential principles on which our commerce has previously been conducted are to be changed and abandoned," and Burke and Sheridan took the same line. The great war arrested these beginnings made by Pitt. The state of Europe was not favourable to commercial treaties, and for years the art of finance was reduced to raising as much money as possible by any means. It almost fulfilled the definition of the art once given by a French Minister, that of "plucking the goose with the least possible amount of hissing." Also it was necessary, in these straits, to secure as firmly as possible the support of the governing interests, especially of the landowners, the bulwark against revolutionary ideas. Not till some ten years after the war did the Tories, influenced by Canning and Huskisson, return to the direction taken before the war by Pitt. Meanwhile the Whigs, who during the eighteenth century had been the strongest advocates of protective policy, just as they had been the most constant wagers of foreign war and the strongest maintainers of an oligarchic constitution and of the Protestant monopoly of political power, had, through long opposition to the Government, become not only franchise Reformers and advocates of Catholic Emancipation, but even, relatively, a free trade party—not that the conception of complete free trade had as yet entered the mind of any normal Whig politician.

High Protection and Revenue are natural foes. In the degree that duties on foreign goods approach the point of excluding them, revenue is diminished. If, on the other hand, duties are so low as to produce

large revenue they afford small or no protection to the home producer. The opposite poles are, on the one side, duties so high that no revenue is produced, and, on the other, no duties at all, when no protection is given. Between these points there is every degree of compromise. Duties half-way between them would produce some revenue and afford some protection. Taxes on foreign goods, like tea or coffee, which are not producable in England, must, of course, be entirely revenue duties. Before the imposition in 1797, and after the removal in 1814, of the income tax, resorted to by Pitt as a war tax, British revenue, until the reimposition of that tax by Peel in 1842, rested upon customs duties, excise, stamps, low death duties (on personal estate only), and certain direct assessed taxes, such as those on inhabited houses, windows, the land tax, etc. It was produced mainly by customs and excise duties, one or other of which fell upon almost every article of consumption. The customs duties on imported corn and other agricultural produce, and upon certain staple manufactures, were intended entirely, or nearly, to prevent foreign competition in the home market, but, with these great exceptions, the main object of the customs and excise duties was to raise revenue. Their number and gravity had been much increased during the great war in order to meet public expenditure, and there was not much uniformity or equality of incidence. These duties, through their all-comprehending range, hit every one in some degree or another, and in this respect there was more equality of incidence than there is in our day, when a man below income tax level, the case of the vast majority, if he avoids alcoholic drink and tobacco, contributes

very little to indirect taxation, and if he is heroic enough also to conquer the temptation to drink tea, next to nothing. On the other hand, there was not then the additional weight in the scales which is now given by the imposition of taxes upon capital and money income. A man with £10,000 a year, in 1840, unless he kept up a very large establishment of consumers of taxed goods, contributed to public revenue a small proportion of his income in comparison with a man of £100 a year. If he lived abroad, and spent his revenue in Paris or Rome, the man with £10,000 a year contributed practically nothing towards the revenue of his own country, while the man with £100 a year, debarred by his poverty from a life of idle pleasure, contributed a good deal.

#### IV

English statesmanship had from an early time protected home manufactures against foreign competition, and there were also during the eighteenth century duties calculated to restrict the importation of foreign corn. In fact, however, during most of that century such duties were not operative. The produce of English agriculture, even in bad seasons, more than sufficiently supplied the demand of the small population. So far from importing, this country exported a considerable amount of corn. Between 1740 and 1750, for instance, 8,000,000 quarters of wheat were exported. It was the policy of Parliament to encourage exports. The idea was that by this means more corn would be grown than was, on the average, required for home consumption. Consequently, even in a bad season, enough would

be grown to make the nation independent of foreign supplies, while in good years there would be a surplus for exportation. Bounties were accordingly given on exports, and in these ten years, 1740–1750, they amounted to £1,500,000. This system dated from the Whig Revolution of 1688. Sir James Graham said, in one of the Corn Law debates of 1845, that in the reign of William III—

“This country was not an importing country, but the avowed policy of the great men of that day, who presided over the administration of the affairs of this kingdom, was to give encouragement to native industry and to make this country as independent as possible of foreign supply, in cases of emergency arising from deficient seasons, and at that time there was a bounty on exportation. The policy of bounties remained from the year 1688 until about the year 1760. At that time, circumstances being altered, the population increasing, and the position of the country with reference to the export of corn having materially varied, the policy remained the same. It was considered an object of paramount importance to keep this country with its increasing population independent in ordinary years of foreign supply. The highest authorities, through a century and a half, have concurred in maintaining this policy as an object of paramount importance.”

Soon after the year 1750 the happy excess of home supply over home demand was drawing towards its end. There was, after 1755, a marked rise in the price of corn over an average of years. This was probably due in part to a depreciation in gold value, due to the influx of gold from the rifled hives of India, but a House of Commons Committee in 1771, of which Governor Pownall was Chairman and Edmund Burke a member, attributed it, with much truth, no doubt, to the great extension of commerce

and population which had rendered our corn supply inadequate. On account of the high prices and distress in 1756 Parliament was expressly assembled, the exportation of corn was prohibited, and the importation was permitted duty free for the time. This suspension of all corn duties was continued by temporary enactments until 1773. An Act of that year allowed foreign wheat to enter, on paying a nominal duty of 6d., whenever the home price was at or above 44s. For some time after this Act there was an alternating balance of exports in good seasons and one of imports in bad seasons. It was not till 1788 that imports of corn began almost continuously to enter, as they have done ever since then in growing magnitude. This change marked the rapid development of manufacturing industry and population which was due to improved transport over canals made and roads improved during this period, to mechanical inventions, and to extension of trade and empire by policy, enterprise, and the sword.

Before the great French War began a change was made in the Corn Law of 1773 to the advantage of the still dominant "agricultural interest." The Act of 1791 raised from 48s. to 54s. per quarter the price at which the importation of foreign corn, at a nominal duty of 6d., was allowed. Between 54s. and 50s. a duty of 2s. 6d. was charged, and under 50s. a duty of 24s. 3d., which was intended and calculated to be wholly prohibitive. A "prohibitory" duty was based on an estimate of the average price of corn in the ports of northern Europe, the chief source of supply, plus the cost of transport and insurance to the English market. Supposing this total cost to amount

to about 45s. a quarter, it was evident that when to this total was added a duty of 24s. 3d., and the price of corn in England was 49s., the invasion would be effectively prevented.\*

Now came the war, and in 1797 the Bank of England was exempted from paying in specie, gold was exported, a paper currency was established, money depreciated, and under these combined causes prices rose immensely. Napoleon's continental system was far from completely effective, but it checked the import of corn from the North European regions, whence it then mainly came. The average annual price of a quarter of wheat for the ten years ending 1795 was 54s., for the ten years ending 1805 it was 81s., and for the ten years ending 1815 it was 97s. These prices stimulated agricultural activity in England. Whether it was due to this, or to the seasons, or to the short Peace of Amiens, prices, which in 1800 and 1801 had attained a prodigious height, fell during the next three years to a short-lived average of about 65s. There was a cry of distress from the agricultural interest, and in 1804 a new law was passed raising the price-level at which the prohibitory duty on wheat imports began from 50s. to 63s., that of the middle duty of 2s. 6d. to 63s.-66s., and raising the price-level at which wheat imports were allowed to enter at the nominal duty from 54s. to 66s. Prices were well over 66s. until the end of the war; in some years they were enormously in excess of that sum, but the war itself prevented much importation at the nominal duty. After Napoleon's overthrow continental corn came

\* These sliding scale laws applied, with distinct scales, to other cereals as well as wheat. I have not, however, for the purposes of this book, thought it necessary to trouble the reader with anything except wheat scales.

in large quantities, and through 1814, 1815, 1816 there was a deep drop in prices. The result was the celebrated Corn Law passed in 1815, against the strong opposition of the manufacturing and industrial interest, and to the accompaniment of some rather fierce rioting in London. This Act was the final step in the legislative process which had begun in 1773, and had been continued under the Acts of 1791 and 1804, with a view to raising the level at which a duty prohibitive of foreign corn imports was imposed. After 1815 the tendency of legislation was in the opposite direction, until in 1869 even the surviving nominal duty on corn was abolished.

The Act of 1815 provided that foreign wheat might be freely imported for warehousing, but might not be taken out for sale until the home price had reached 80s. A preference was given to British North American wheat, which might be imported for sale when the price was 67s. per quarter, a preference which would not appreciably affect prices, so little corn for export was at this time grown in these Colonies. The Bill was opposed by the Whigs, who did not, however, go beyond proposing 76s. instead of 80s. as the line below which there should be absolute exclusion, but it was carried on the 20th March, 1815, the very day on which Napoleon entered Paris on his dramatic return from Elba.

It was expected that this Act would keep wheat prices at about 80s., but the hope of the agriculturists was baffled by the productiveness of our own agriculture, and by the Bank Act of 1819, which led to an appreciation of the currency and depreciation of prices. Except in the years 1817 and 1818 the price never rose to the level of 80s. For the ten

years 1816 to 1825 the average price was about 64s. per quarter. The House of Commons in 1821 appointed a Committee to inquire into the causes of the "depressed state of agriculture," and a new Act was passed in 1822. It was preceded by a series of resolutions moved in the House of Commons by Huskisson, then Chancellor of the Exchequer. These resolutions set forth, *inter alia*, that the average price of wheat in 1821 had been 54s. 5d. per quarter, and had fallen early in 1822 to 47s. 9d.; that during the last three years the supply of British wheat had apparently exceeded the demand, "notwithstanding the wants of an increasing population, and other circumstances which have probably produced an increased annual consumption," and that this phenomenon must have arisen "either from an extent of corn tillage more than commensurate to the average consumption of the country, or from a succession of abundant harvests upon the same extent of tillage, or from the coincident effect of both these causes."

Other resolutions were to the effect that violent alterations in prices, dependent upon the redundancy or scarcity of home harvests, were bad both for producer and consumer; that if foreign corn, as under the system of 1815, could only on rare occasions come into the market, the supply "must be precarious in proportion as the demand is unusual"; that the system converted farming into "a hazardous and gambling speculation"; that "a free trade in foreign corn, subject to certain duties on importation, was at all times permitted prior to the Act of 1815," and that "to obviate the prejudicial effects of that Act, and to ensure a regular supply of grain at prices

as much as possible steady and moderate, it is expedient to provide for the repeal of so much of the said Act as prohibits, under certain prices, the importation of foreign grain for home consumption."

The Act of 1822 lowered the line at which prohibition became absolute from 80s. to 70s. for foreign wheat and from 67s. to 56s. for British North American wheat. When the price was between 70s. and 80s. per quarter a duty of 17s. was to be laid on foreign wheat, when between 80s. and 85s. a duty of 10s. for three months and 5s. afterwards, and if the price rose above 85s. the duty was to be constant at 1s. During the succeeding years the price of wheat never once rose to the 70s. level.

A new step in the direction of relaxation was made in 1827, when Canning carried through resolutions in favour of always admitting foreign corn to home consumption upon payment of certain graduated duties, thus abandoning the principle of absolute prohibition at any point. The Act passed in 1828 was based on these resolutions, though it differed from them in details. After the home price of wheat reached 73s. there was to be a fixed duty of 1s. Between the price of 73s. and that of 66s. there were to be duties increasing as the price fell by various grades. At the price of 66s. the duty on foreign corn taken out of bond was to be 20s. 8d., and for every shilling that the price fell below 66s. there was to be an increase of a shilling in the duty. Thus when the price sank to 52s. the duty would be 34s. 8d. The object of this sliding scale was virtually to exclude foreign corn from the home market until the price had reached a certain level, and after that to check and moderate the imports until the price had reached a still higher

level. This, it was thought, would give steadiness to the trade, prevent speculation in corn to some extent, and be a reasonable compromise between the conflicting interests of the British producer and the British consumer. What was called the "pivot price" was fixed at 65s., because that was regarded at the time as being a price reasonably remunerative to the producer and not oppressive to the consumer, and as the ideal price round which the cost of wheat should fluctuate. When the price exceeded 65s. the British North American corn was to come in at a nominal duty, that is, as it was then considered, free. Below 65s. this corn was to pay a fixed and constant duty of 5s. a quarter.

The Act of 1828 was not much of an advance in the direction of relaxation, but, in the day of an unreformed House of Commons, it marked, among other things, the change in national thought which was taking place or, rather, the increasing weight of the commercial and manufacturing interests as compared with the agricultural. This Act was the last step of importance taken before Sir Robert Peel became Prime Minister in 1841. Both in this matter and in that of relaxations of other protective duties, and of the Navigation Laws, the policy of Canning and Huskisson resumed that of Pitt, which had been interrupted by the outbreak of the great wars. But whereas Pitt had been opposed by the Whigs, the resumed policy now received their general support.

## V

It was the ancient policy of the English Government and Parliament to maintain and encourage by

protective measures not only agriculture and shipping, but certain great staple manufactures. The main subjects of protection, early in the nineteenth century, were woollen, linen, silk, and glass manufactured goods. The import duty on woollens was, in 1825, 50 per cent. ad valorem ; that on linens was in no case lower than 40 per cent., and in some descriptions as high as 180 ; that on glass 80 per cent. above the home excise duty. Almost all articles were more or less protected ; there was, for instance, a duty of 75 per cent. on foreign earthenware, 30 per cent. on ornamented porcelain. There were also heavy duties on semi-manufactured goods and raw materials, specific ones of great weight upon foreign iron, copper, zinc, lead, tin, timber, articles produced in the United Kingdom. These duties were intended practically to exclude foreign products. To make sure that nothing escaped the net, a sweeping clause at the end of the " Book of Rates " provided that upon all goods, wares, and merchandise, being either in part or wholly manufactured, and not specifically enumerated, a duty of 50 per cent. should be payable, and a duty of 20 per cent. upon all non-enumerated goods, not being either in part or wholly manufactured. Difficult questions arose in the Customs. A collector of antiques imported an Egyptian mummy. Was this raw material or a manufactured article ? Having been embalmed and otherwise treated with art three thousand years ago, it was held to be a manufactured article, subject to a 50 per cent. duty on an estimated value of £400. These enormous duties led to an increased amount of smuggling by the gentry who were the first to adopt the noble title of " free-traders," and to a

corresponding expenditure upon preventive services. So far also as they related to semi-manufactured or raw materials they were, no doubt, a heavy "burden on the springs of industry," for the benefit of English owners of the soil and their lessees, and they were too exclusive to give any appreciable benefit to the national Exchequer.

In the year 1825 the Chancellor of the Exchequer, Huskisson, pursuing his policy of relaxation, proposed and carried through a great reduction in these duties. He reduced the duty on foreign woollens from 50 per cent. to 15, that on linens to 25, that upon glass from 80 per cent. to 20, that on foreign iron from £6 10s. to £1 10s. per ton, that upon copper from £54 per ton to £27, and the duties upon other specifically enumerated articles in like proportions. As to the non-enumerated articles, the duty on all manufactured goods was reduced from 50 per cent. to 20, and that on articles unmanufactured from 20 to 10 per cent.

"The result of the alterations," said the Chancellor (25th March, 1825), "will be this—that upon foreign manufactured articles generally, where the duty is imposed to protect our own manufactures, and not for the purpose of collecting revenue, that duty will in no instance exceed 30 per cent. If the article be not manufactured much cheaper or much better abroad than at home, such a duty is ample for protection. If it be manufactured so much cheaper or so much better abroad as to render 30 per cent. insufficient, my answer is, first, that a greater protection is only a premium to the smuggler; and, secondly, that there is no wisdom in attempting to bolster up a competition which this degree of protection will not sustain. Let the State have the tax, which is now the reward of the smuggler, and let the consumer have the better and cheaper article, without the

painful consciousness that he is consulting his own convenience at the expense of daily violating the laws of his country. While we were labouring to put an end to the evils of smuggling by lowering the duties increased during the pressure of the war, and for the purpose of revenue, upon articles of consumption, the last thing we ought to countenance is the continuance of high duties, not for the benefit of the Exchequer, but for the supposed protection of certain articles of manufacture. Is the illicit importation of foreign spirits to be checked merely to give fresh life to the smuggling of cambrics and lace from Flanders, or of gloves and porcelain from France? Let any one go down to Brighton and wander on the coast from there to Hastings. I will undertake to say that he shall most easily find, at every place he comes to, persons who will engage to deliver to him, within ten days or a fortnight, any prohibited article of manufacture which he can name, and almost in any quantity, upon an advance of 30 per cent. beyond the prime cost at Paris. What is the consequence of such a system? A number of families, that would otherwise be valuable and industrious members of society, exist, and train up their children, in a state of perpetual warfare with the law, till they insensibly acquire the habits and feelings of outlaws, standing rather in the relation of pirates than of fellow-subjects to the rest of the community."

The advent of free trade certainly destroyed a splendid school of daring seamen and bold traders in Kent and Sussex. Let us hope that these energies have been diverted to better things, and that adventurous spirits of like vigour have now become "valuable and industrious members of society."

Revenue in those days was, in far the larger proportion, derived from taxes upon articles of consumption. Between the repeal of the war income tax in 1814 and its reimposition by Peel in 1842, direct taxes, such as the inhabited house duty, land tax, window tax, legacies, met a relatively small part

of the national expenditure. Huskisson, in 1825, did not disclaim protection as a principle. He contended that excessive protection defeated its own object by giving scope for smuggling, and he admitted the claim of the consumer not to be taxed beyond a certain limit in the interests of the producer. In a moderate degree he benefited the consumer at the expense of the manufacturer, and the manufacturer at the expense of the home producer of raw material, so that he gave some relief to the many at the expense of the few, who also, in the long run, might gain, if the population and wealth of the country increased, more than they lost. For a system of (almost, and in most cases) exclusion of foreign manufactured goods and certain raw materials, Huskisson substituted a regime of what would by modern Englishmen be considered to be rather high protection, or of preference of British, and, in a less degree, colonial products over foreign. He met with slight opposition. The chronicler of the *Annual Register* for 1825 says :

"Though some members of the House expressed an apprehension that the consequences of the proposed changes in our commercial policy might be injurious, yet in general the propositions of Mr. Huskisson were extremely acceptable both to Parliament and to the country. The resolutions in which they were embodied were adopted without a dissenting voice, and they were afterwards carried into execution by Bills framed in conformity with them."

Evidently Huskisson was not in advance of his time, and he might, perhaps, have gone a step or two further. The country gentlemen who were so powerful in the unreformed Parliament were by no means unwilling to reduce the cost of manufactured

articles, including all the luxuries as well as the necessities of existence.

The protection policy had, no doubt, been excessive in practice ; it was arranged upon an unscientific and rather haphazard basis, and it obviously stood in need of such reforms as Huskisson began to make and Peel, in the first years of his administration, continued. It is, however, by no means proved that the protective system was not, in essentials, a wise one. It rested upon the doctrine, till then accepted by the most experienced English statesmen, of conscious regulation of trade with a view to the strength, health, and self-reliance of the nation. This doctrine, or policy, was accepted at that time by all nations, as it still is by most of them. Mr. F. S. Oliver, in his book on Alexander Hamilton, shows how strongly it was maintained by the most clear-sighted statesman in America at the close of the eighteenth century. Hamilton's method, he says, was "to arrive at a balance between the production of food and raw materials on the one hand, and manufactures, shipping, and other forms of commerce upon the other. It was possible, in his opinion, with the prudent assistance of legislation, to come speedily to a point at which all the necessities of life and instruments of labour, and even the greater part of the luxuries that were in common demand, should be supplied from the fields and farms, the mines, mills, and workshops of the new Republic. A nation which was content to drift along the path of least resistance must suffer the inconveniences and dangers of a lopsided development."

Hamilton drafted Washington's address to Congress in 1790, in which the President said :

"A free people ought not only to be armed but disciplined, to which end a uniform and well-digested plan is requisite, and their safety and interest require that they should promote such manufactures as tend to render them independent of others for essentials. The advancement of agriculture, commerce, and manufactures by all proper means will not, I trust, need recommendation."\*

That a nation should be strong for purposes of war and peace, that capital and labour should find occupation in industries of widely varied kinds, that the conditions of life and work should be healthy, that the extremes of poverty and wealth should be avoided, and that welfare should be sufficient and fairly spread—these are objects common to all statesmen and parties. It used to be thought that the Government of a nation can do as much to secure all this as a landowner can to improve his land, by resisting or turning to useful purposes the blind and non-moral forces of nature. The essence of cultivation lies in securing monopoly, *e.g.*, protection to crops against rival vegetation. The opposite view which sprang up in the eighteenth century, in consequence of unwise and inefficient action by incompetent and ill-informed Governments like those of the Bourbon dynasties, was that in this world, the best of all possible worlds, so far as it is not marred by foolish administrative or ecclesiastical interference, the force of nature called "self-interest," if left entirely to itself in the sphere of trade and industry, would bring to pass the wealth of nations and the welfare of individuals. This theory is paradoxical,

\* Notwithstanding this advice from the "Father of his Country," the Americans were so long dependent upon England for manufactures that, when they were at war with us after 1812, they had to import English blankets for their army.

contrary to man's instinct and to the whole of his experience in wrestling with natural forces, and it bears every note of a deviation caused by transient and local circumstances.

The free traders of the Bright and Cobden school went far beyond Adam Smith. This school, beginning with hatred of a tax upon imported corn, and following, with the keen logic born of hatred, their deductions from premises, came at last to object to any tax upon the import of any article which was also produced in the United Kingdom, unless there were a countervailing excise. An import duty was bad if, incidentally, any home producer could derive any advantage therefrom. Adam Smith said something very different. He remarked that:

"The taxes which are at present imposed on foreign manufactures, if we except a few principal ones, have been for the greater part imposed for the purpose not of revenue, but of monopoly, or to give our own merchants an advantage in the home market. By removing all *prohibitions*, and by subjecting all foreign manufactures to such moderate taxes as it was found by experience afforded on each article the greatest revenue to the public, our *own workmen might still have a considerable advantage in the home market*, and many articles, some of which afford no revenue to the Government, and others a very inconsiderable, might afford a very great one." \*

Thus Adam Smith occupied a position between that held by Alexander Hamilton and that held by Cobden, though in his views as to the Navigation Acts he came nearer to Hamilton.

\* "Wealth of Nations," Bk. V. ch. ii.

## VI

The famous Navigation Laws crystallized an ancient policy intended to secure and promote the naval strength and commercial greatness of England. By a law passed in the reign of Richard II subjects of the King were forbidden to "ship any merchandise outwards or homewards in any but ships of the King's liegance," though in the same reign this prohibition was modified, and leave was given to employ foreign ships if no English ships were available. In the reign of Elizabeth some relaxation was made. Foreign ships were allowed to bring goods to England, but customs duties were imposed upon such goods heavier than those imposed on the same goods brought in English ships. The preamble to this Act gave as a reason that foreign princes had retaliated, "by reason whereof there hath not only grown great displeasure between the foreign princes and the kings of this realm, but also the merchants have been sore grieved and endamaged." The same Act of Elizabeth, however, made the English coasting trade a national monopoly. This policy lasted until the overthrow of Charles I and the establishment of the Commonwealth, when the national instinct of self-preservation had more free play in respect to commerce and foreign policy. By this time the Dutch, fortified by their long struggle against Spain, had become a great maritime and commercial power, and had made the best use of the opportunity afforded by the civil distractions in England to engross the carrying trade. Trade jealousy and rivalry were so much stronger than religious ties that the two Puritan Republics were

at war as soon as the new Government of England had time to turn its attention and energy outwards. The Navigation Act of 1651 was frankly intended, as Blackstone said, "to clip the wings of the Dutch." It was a reversion from the policy of Elizabeth to that of Richard II, with vast extensions corresponding to the extensions of the limits of the commercial world and the establishment of British Colonies. Cavalier and Roundhead were at one with regard to the Dutch. Almost the first step of the Restoration Parliament was to confirm this policy. With various modifications it remained in force until the middle of the nineteenth century, and until the earlier part of that century its vigour was not materially relaxed. Under it the naval power and commercial greatness of England rose to a high level. English commercial tonnage increased from about 90,000 tons at the Restoration to 2,600,000 tons in 1815. The main provisions of these Navigation Laws, constant in essence from 1651 downwards, were :—

1. That certain "enumerated" articles, the produce of Europe, comprising all the chief goods of commerce, should be imported into England only (a) in British ships or (b) in ships of the country of which they were the produce, *or*, from which they could only be, or usually were, exported.

2. That no produce of Asia, Africa, or America should be imported except (a) in British ships or (b) in those of the country of which they were the produce *and* from which they were imported, and should not be imported from any part of Europe in any ships of any kind, British or foreign.

As, in those days, no Asiatic, African, or American countries possessed an oceanic marine, this was

equivalent in intention to confining the whole commerce between this kingdom and all the world, except Europe, to British ships. The provisions were usually defended on the ground of the importance of keeping in our own hands the long voyage trade with a view to the training of our seamen, and on other grounds of state policy.

3. That no goods should be carried between any two parts of the British Empire except in British ships.

4. That no goods should be imported from any country outside the British Empire into any Colony except in British ships, or in ships of the country of which the goods were the produce *and* from which they were imported.

5. That all British ships were to be navigated by a British master, and by a crew of which three-fourths were British subjects. Ships in the coasting trade were to be entirely manned by British seamen. The object of these provisions was to maintain a large force of skilled British seamen from which the navy could be recruited when wars made its large expansion necessary. This was a governing principle while we were rising to naval supremacy, during the Commonwealth, after the Restoration, throughout the eighteenth century, and during the first half of the nineteenth, when that supremacy had been secured and was not yet menaced by new rivals on the seas.

## VII

The Navigation Acts achieved their object of transferring to British hands most of the world's carrying trade, building up a great commercial

marine, training British seamen in sufficient numbers in the best school, and basing our war-navy on a strong foundation. On the other hand they produced disastrous political results in the American Colonies and Ireland. These Acts were founded on the idea that the Colonies, or as they were then called "plantations," were outlying pieces of England with no independent life, other than purely municipal, and that, virtually, Ireland was one such plantation. As the American Colonies developed their own life and national feeling, they began more or less consciously to feel the indignity and inconvenience of laws which restricted their commerce to British shipping. This feeling arose early. Oliver Cromwell allowed the suspension of the Navigation Laws so far as regarded these Colonies ; for about a hundred years later the regulations were not really enforced in American ports, and a system of "free ports" practically enabled American-owned ships to trade with the West Indies. Sir Robert Walpole used to say, with characteristic prudence and humour, that he would leave to his successor this question of enforcing the Navigation Laws in America. After the middle of the eighteenth century English statesmen attempted to enforce these laws more rigorously in America and so heaped up fuel for the discontent which blazed into flame over the kindred attempts to levy stamp duties. The American historian, Bancroft, says that "from the earliest times the Navigation Laws contained within them the seeds of American independence." John Adams, the second President, always said that independence was "born in the struggle of 1760 and 1761 against the enforcement of the Navigation

Acts," and that he himself "never could read them, even when alone, without a curse on them."

Ireland also, during the eighteenth century, developed under its Protestant Parliament a sense of national rights and wrongs. The Irish Protestants took advantage of the American War to extort, almost by force, from the British Government, among other things, the right to share the advantages of Englishmen in carrying on trade by sea. Ireland was, in 1780, allowed for the first time to export her own produce direct to the Colonies in her own ships, and to receive colonial produce directly in her own ports. This was one main cause which led to the Legislative Union, because it was felt in England that Ireland had now commercial privileges equal to those of the English and Scottish, while she bore little share in defence or in the burden of military, naval, civil, and debt-charge imperial expenditure, and that, thus carrying less weight, she would have an advantage.

After these events the Navigation Laws fell, for a time, into some discredit, and there was even talk of their repeal. Gibbon, in his autobiography, says of his friend Lord Sheffield that, after the American War, "the Navigation Acts, the palladium of Britain, were defended, and perhaps saved, by his pen, and he proved by the weight of fact and argument that the mother country may survive and flourish after the loss of America."\* The Navigation Acts, like England, survived the loss of America, and no considerable changes were made in them until the reign of George IV. But change, when it came, was

\* Sheffield's pamphlet was called 'Observations on the Commerce of the American States.' 1784.

corresponding advantages. The Crown did accordingly enter into treaties with some foreign Powers, but others, such as Spain, Portugal, Naples, had not, so late as Peel's second Administration, offered to us adequate commercial concessions.

## VIII

The Colonies were by these measures placed, as Ireland had previously been, much in the position of England herself with regard to foreign trade. But, notwithstanding these and other modifications in detail, the great principles of the Navigation Laws remained standing. The whole trade between all parts of the British Empire remained as much a monopoly of British ships as was the coasting trade of the United Kingdom. No produce of America, Asia, or Africa could be brought to British ports except by British ships, or in ships of the country of production. No goods could be imported from European ports unless they were the produce or manufacture of the country to which the ship belonged. This was the position of this great branch of national policy at the beginning of the ministry of Sir Robert Peel. Adam Smith condemned the Navigation Laws from the point of view of pure economy and the pursuit of wealth, but praised them from the point of view of statesmanship and national security. He wrote :

" When the Act of Navigation was made, though England and Holland were not actually at war, the most violent animosity subsisted between the two nations. It had begun during the government of the Long Parliament, which first formed this Act, and it broke out soon after in the Dutch wars during that of the Protector and of Charles II.

It is not impossible, therefore, that some of the regulations of this famous Act may have proceeded from national animosity. They are as wise, however, as if they had been dictated by the most deliberate wisdom. National animosity at that particular time aimed at the very same object which the most deliberate wisdom would have recommended, the diminution of the naval power of Holland, the only naval power which could endanger the security of England. The Act of Navigation is not favourable to foreign commerce, or to the growth of that opulence which can arise from it. The interest of a nation in its commercial relations to foreign nations is, like that of a merchant with regard to the different people with whom he deals, to buy as cheap and sell as dear as possible. But the Act of Navigation, by diminishing the number of sellers, must necessarily diminish that of buyers ; and we are thus likely not only to buy foreign goods dearer, but to sell our own cheaper, than if there were a more perfect freedom of trade. As defence, however, is of much more importance than opulence, the Act of Navigation is, perhaps, the wisest of all the commercial regulations of England." \*

This view of the father of free trade, that defence is of more importance than opulence, was often quoted in the nineteenth century against those who, at times, seemed to forget all considerations save that of buying cheap and selling dear. It was the very success of the policy of the Navigation Acts which led to their overthrow. After Trafalgar, English naval supremacy, for the first time in our history, seemed to be absolutely secured and beyond the reach of all rivalry. The conviction of Adam Smith was in his day, and long afterwards, that of almost every Englishman. It belonged to that class of opinions which to the simplest are obviously true, yet are shared by the wisest. A distinguished Whig statesman, in the debates of 1848, said :

\* " Wealth of Nations," Bk. IV. ch. ii.

"I know that those laws have long been regarded among us with a reverence only inferior to that which we are accustomed to pay to those immortal statutes which are the bulwarks and safeguards of our constitutional liberties. I am aware that they have been defended by some of our greatest statesmen, and eulogized by some of our wisest philosophers and historians."

They were in fact as universally accepted as were the doctrines of free trade between 1860 and 1880, perhaps even more universally. It was, indeed, held by many, and by an increasing number as time went on, that in details the principles of the Navigation Laws must be adapted to changing circumstances. This was the opinion of Edmund Burke, who had carefully considered the evil which had been done in the case of the American Colonies by the full enforcement of these regulations. He wrote :

"If the Navigation Act is suffered to run the full length of its principle, and is not changed and modified according to the change of times and fluctuations of circumstances, it must do great mischief, and frequently even defeat its own purpose."

Some passages from the speeches of the Conservative Huskisson, Chancellor of the Exchequer, in connection with the modifications made in 1826 in these laws show the views of moderate men at that date. Statesmen were far, then, from conceiving the great change which was to take place twenty years later. Huskisson said in these debates :

"I am ready to admit that the regulations of our navigation system, however salutary they may be, must more or less act as a restraint on that freedom of commercial pursuit which it is desirable should be open to those who have

capital to employ. I am, however, at the same time bound to say that these regulations are founded on the first and paramount law of every State, the highest ground of political necessity—the necessity of providing for our own safety and defence; the necessity of being prepared to afford security to our numerous colonial possessions, scattered throughout all the seas of the world; the necessity of protecting the different branches of our widely spread commerce against all the risks attendant on a state of war, and, lastly, the necessity of preserving our ascendancy on the ocean, and thereby sustaining the high station in the rank of nations which that ascendancy more than any other circumstance has given to this country. . . . It is our duty on all occasions to look to the peculiar nature of this State necessity, and the feeling which ought to be uppermost in all our minds should be that the interests of commerce in all such instances ought to give way and those of navigation to have the preference."

Huskisson also said :

"Our Navigation Laws have a twofold object. First, to create and maintain in this country a great commercial marine, and secondly, to prevent any one other nation from engrossing too large a portion of the navigation of the world. Acting upon this system, the general rule of our policy has been to limit as much as possible the right of importing the productions of foreign countries into this country to ships of the producing country or to British ships. . . . The motives for adopting that system were, first, that such portion of the carrying trade of foreign countries as does not devolve to British ships should be divided as equally as possible among other maritime States, and not enjoyed by any one of them in particular, and secondly, that countries entertaining relations of commerce with this country, and not possessing shipping of their own, should export their produce to England in British ships only instead of employing the ships of any third Power."

The policy of the Navigation Acts was part of the English foreign policy, which has always been

directed towards assisting the weak, warring down the too strong, and so preserving a balance, and preventing a monopoly of power by any European rival, while extending our own power, trade, and dominion as much as possible in other parts of the world. It was a following, more or less conscious, of the doctrine "divide et impera." The same motives of enlightened but impassioned self-interest have always guided the English, whatever from time to time may have been the religious or political colour which they wore. The same essential reasons made us join with the Dutch and the French against Spain, with the French against the Dutch, with the Dutch and Germans in the eighteenth century against the French, with all the nations of Europe against the French in the wars of the Revolution, with the French against the Russians, with the Japanese against the Russians, and at the present moment appear to drive us into new European combinations.

## CHAPTER II

### THE COLONIAL SYSTEM

#### I

THE Navigation Acts were the means of maintaining the old "colonial system," and when they were no longer applied in their full vigour there was a tendency to resort instead to the policy of home-decreed preferential trade within the Empire. This was the transitional stage between the period in which all trade between the Colonies and the rest of the world was, by the legislation of the United Kingdom, only permitted to be carried on by or through the mother country, and the later period in which the over-sea dominions were allowed to trade freely and directly with the whole world, and (with the huge exception of India and the Crown Colonies) to regulate their own trade by their own laws, undictated and uncontrolled. The adoption of free trade principles by England and the rise of certain dominions to complete self-government were the factors in this change, which took place without the intention, or even against the intention, of imperial statesmen.

According to the ideas of all nations—English, French, Spanish, Portuguese, Dutch—in the early European colonizing period, the trade of all possessions beyond the seas was of right the exclusive

monopoly of the possessing country. Napoleon expressed the old idea when he said, "Colonies are the wings on which Empires soar to power." The monopolist conception was a powerful motive of occupation and the fruitful mother of wars. England acted upon it as vigorously as any of her rivals, and in the end, being less distracted and weakened by European complications, with more success. Under her laws, as we have seen, no goods could pass between any over-sea possession and the rest of the world except in British ships and through British ports. This policy either gave the trade to British manufacturers or the entrepôt and warehousing profits to British merchants, and in either case the freight profits to British shippers. The whole regulating power was in the hands of the British Government and Parliament. The accepted view before the American Rebellion was that the colonial Legislatures were of the nature of municipal bodies, and that, although the colonists were not (any more than many large English towns) directly represented at Westminster, yet that was the Parliament which, when it pleased, legislated for them as much as it did for Yorkshire or Kent. The Colonies were merely an extension of old England. This view was taken even by men like Lord Chatham and Burke, who opposed the steps which led to the American War. Their quarrel with the Government was not as to the right of the Imperial Parliament to legislate for the Colonies, or to tax them indirectly or even directly, but as to the expediency of the exercise of their power. No one questioned the principle and active exercise of "regulation of trade" for the whole Empire by the Westminster Parliament until a few years before the war, when a logical mind

here and there, like that of Benjamin Franklin, began, driven by events and in search of a basis for argument, to foreshadow the modern view. The Imperial Parliament, in the vain hope of reclaiming the revolting Colonies, passed in 1778 an Act declaring that "the King and Parliament of Great Britain will not impose any duty, tax, or assessment whatever, payable in any of His Majesty's Colonies, Provinces and Plantations in North America or the West Indies, except only such duties as it may be expedient to impose for the regulation of commerce." This was as far as concession went. As late as 1842 the Imperial Parliament was still enacting duties for the regulation of commerce in British North America. But in accordance with the declaratory Act every penny raised by these duties was paid into the colonial Treasuries.

The result of this unfortunate war did not make English statesmen and thinkers abandon the old conception. Indeed, for many years the matter became of small interest, for, after the loss of the chief American Colonies, little was left except so much of India as was then occupied, and the West Indies, and some islands and trade and naval stations elsewhere. Canada was of small population and importance; the Australian Colonies had not been founded; South Africa had not been acquired. The attention of the English was absorbed by the long fight against the French Revolution and Napoleon, while colonial questions, on the whole, peacefully slumbered. In practice the regulation of trade by the Imperial Parliament for all the Colonies went on unquestioned until shortly after the grant of the Canadian Constitution in 1840, when English

statesmen, rather to their surprise, for they knew not what they had done, gradually discovered that the old machine would no longer work, and that they could not even insist, as they wished, upon the adoption of free trade by really self-governing Colonies, although they could insist upon it, and did, and still do, in the case of India and Crown Colonies and Protectorates.

The first important writer in England who questioned the economic merits of the old colonial system was Adam Smith in his "Wealth of Nations," the work of some ten years, but not published till 1776, after the American War had begun. His views had a slowly growing but immense influence. Like his contemporary Rousseau, Adam Smith, in his own sphere, preached a return from art to nature. His teaching, like Wordsworth's poetry, was part of a world-movement of thought and life. He contended that colonial trade on the monopoly system was, on the whole, injurious to a nation, though it might increase the profits of certain classes, because it drew away capital from flowing into its most easy and natural channels, the home and European trade, and diverted it into channels to which it would not naturally have flowed until the nearer channels were full to overflowing. "If," he said, "the manufactures of Great Britain have been advanced, as they certainly have, by the colonial trade, it has not been by means of the monopoly of that trade, but in spite of the monopoly." The reader must be referred to Adam Smith himself for a study of the lucid arguments by which he supports this contention, but some observations of his on the history of the matter

may be quoted. He says, with his dry Scotch wit\* :

"To found a great empire for the sole purpose of raising up a people of customers may at first sight appear a project fit only for a nation of shopkeepers. It is, however, a project altogether unfit for a nation of shopkeepers, but extremely fit for a nation whose government is influenced by shopkeepers. Such statesmen, and such statesmen only, are capable of fancying that they will find some advantage in employing the blood and treasure of their fellow-citizens to found and maintain such an empire."

Perhaps the scornful Scot forgot that if, in the seventeenth century, the English had not acquired or founded Colonies, they might, while other States pursued the monopoly system, have been excluded from most foreign trade. If, for instance, the English wished to trade direct with the West Indies, without paying heavy and perhaps prohibitive tolls to the merchants and shippers of Seville and Cadiz, the only way was Oliver Cromwell's—that of seizing some of these islands by force. The sword had to open the oyster of trade in those days, and even now it is mainly the power or the credit of the sword, although this is usually forgotten, which keeps much of the trade of the world open to the manufacturers and merchants of England. It may be true, no doubt, that both England and the Colonies would have derived more benefit from a system of preference in lieu of monopoly adopted at an earlier date than it was in fact. Again Adam Smith says † :

"The maintenance of this monopoly has hitherto been the principal, or more properly perhaps the sole, end and purpose of the dominion which Great Britain assumes over her

\* "Wealth of Nations," Bk. IV. ch. vii.

† Ibid.

Colonies. In the exclusive trade, it is supposed, consists the great advantage of provinces, which have never yet afforded either revenue or military force for the support of the civil government or the defence of the mother country. The monopoly is the principal badge of their dependency, and it is the sole fruit which has hitherto been gathered from that dependency. Whatever expense Great Britain has hitherto laid out in maintaining this dependency has been laid out in order to support this monopoly."

The point of view is too much that of the specialized and unsentimental political economist. The English were never a mere "nation of shopkeepers"; their rulers were then a territorial and fighting aristocracy. The Norman love of great landed possessions, the military and naval spirit, the passion for adventure and for ruling power, and, in the case of some of the American Colonies, the old Anglo-Saxon desire for independence and dislike of being sat upon by civil or ecclesiastical superiors, had more than trade to do with the foundation of the British Empire. Diverse motives act diversely on diverse men, or even on the same men.

"In reluctantes dracones  
Egit amor dapis *atque* pugnæ."

Many men urged by many motives joined in the Norman invasion of England and in Plantagenet invasions of France. Some were led by desire of booty, others by love of glory and adventure, others were driven from home by ennui or poverty, and so it has ever been, down to the days of Cecil Rhodes and his motley followers. No single motive can be attributed to a free government which reflects a nation composed of all manner of men—the bold and the cautious, the hunters after gold and the

hunters after souls. Sometimes trade follows the flag and sometimes the flag follows trade.

Adam Smith pointed out that most of the recent wars had been fought over colonial questions, that the colonial connection involved constant naval and military expenditure, and he was brought to the conclusion that (as in his opinion the monopoly of trade was the reverse of good economy) under the existing "system of management Great Britain derives nothing but loss from the dominion which she assumes over her Colonies."

"But," he added, "to propose that Great Britain should voluntarily give up all authority over her Colonies, and leave them to elect their own magistrates, to enact their own laws, and to make peace and war as they thought proper, would be to propose such a measure as never was and never will be adopted by any nation in the world. No nation ever voluntarily gave up the dominion of any province, how troublesome soever it might be to govern it, and how small soever the revenue which it afforded might be in proportion to the expense which it occasioned."

National pride and the interest of the governing classes made, he thought, surrender impossible. "The most visionary enthusiast would scarce be capable of proposing such a measure, with any serious hopes, at least, of its ever being adopted." He continued :

"If it was adopted, however, Great Britain would not only be immediately freed from the whole annual expense of the peace establishment of the Colonies, but might settle with them such a treaty of commerce as would effectually secure to her a free trade, more advantageous to the great body of the people, though less so to the merchants, than the monopoly which she at present enjoys. By thus

parting good friends the natural affection of the Colonies to the mother country, which perhaps our late dissensions have well-nigh extinguished, would quickly revive. It might dispose them not only to respect, for whole centuries together, that treaty of commerce which they had concluded with us at parting, but to favour us in war as well as in trade, and instead of turbulent and factious subjects to become our most faithful, affectionate, and generous allies ; and the same sort of parental affection on the one side, and filial respect on the other, might revive between Great Britain and the Colonies which used to subsist between ancient Greece and the mother city from which they descended.” \*

The only alternative, Adam Smith thought, was to offer to the Colonies full representation in the Parliament at Westminster. These views of the advantage of eventual separation on friendly terms with the Colonies had great influence on the convictions of the Liberals in the nineteenth century, when the surviving Colonies once more became of some importance, and the doctrine mightily affected their attitude towards the question of preferential commercial relations. Adam Smith’s desire did come to pass, and that in a mode peculiarly English. Forms of sovereignty were not surrendered, but gradually the substance of sovereignty passed from the Westminster Parliament to the colonial Legislatures. No Colony, since the loss of those which are now part of the American Union, has become a State independent of the British Crown. Now, however, after many events, the dominions of Canada, Australia, New Zealand, and South Africa are entirely self-governing, regulate their own commerce, control their own military and naval policy,

\* “ Wealth of Nations,” Bk. IV. ch. vii.

and, in a word, hold the position not, as formerly, of dependent communities with restricted powers, but of intimate and perpetual allies of the United Kingdom. These allies are bound to us as yet by no definite treaty of commerce, or complete commercial understanding, such as Adam Smith desired, establishing within the Empire as near an approach to free trade as might be practicable. It has been reserved to our own generation to see the first approaches to a consummation of this kind. And it is from the Colonies that these approaches have come.

## II

The system of preferential relations with the Colonies attained to its fullest height in the first years of Sir Robert Peel's second Government. It began, early in the eighteenth century, with a system of bounties given to exports of certain goods from North America to Great Britain. These bounties were at first confined to raw materials for naval construction—timber, hemp, tar, and turpentine. Other bounties were later given at intervals down to the year 1779—bounties on indigo, raw silk, barrel stores, and so forth—several of them about the time when, as Adam Smith says, "We were beginning sometimes to court and sometimes to quarrel with our American Colonies." The commodities upon which bounties were given when imported from America were subjected to heavy duties when imported from foreign countries. The interest, as Smith says, "of our American Colonies was regarded as the same with that of the mother country." In fact, the whole system was

based on the idea, then general, that the Colonies were politically and economically an extension of Great Britain, and that the same commercial policy, regulated by the same central Legislature, applied to the whole Empire. That policy was one of protection to domestic industries against foreign, and reservation so far as possible of the home market to British manufacturers and producers of food and raw material. Some productions, such as those of food and naval stores, were more strongly encouraged and more strongly protected than others, on grounds of national defence and self-dependence in time of war. Staple trades, such as the production of corn, meat, wool, and linen, were also protected because of the employment given to domestic capital and labour. The bounties given to certain American exports were based upon the same considerations as the bounties given during the same period to exports of English corn. The system came to an end with the loss of the American Colonies, to which it mainly applied, and, in the case of the surviving Colonies, was replaced by the method of admitting certain of their productions at lower rates of duty than those imposed upon the same productions when imported from foreign countries. Our legislation, at the same time, gave a tariff preference to our own productions in the colonial ports, where they were admitted at lower rates of duty. The idea was that, on each side, the duties upon inter-imperial trade served the purpose, mainly, of revenue, and those upon outside trade served the purpose, mainly, of protection, and all the revenue raised in the Colonies, after defraying costs of collection, was paid over to the colonial Exchequers. In some

cases the protective duties were virtually prohibitory. The duties on foreign corn, timber, and sugar in England for many years excluded all but colonial produce, unless the price in the English market rose to a very high level. The variations in the scale of preference given to British North American corn have already been stated. Under the Act of 1828 the preference was still very considerable. Foreign corn could only be imported at the nominal 1s. duty when the price had reached 73s., whereas British North American corn could be imported at that duty when the price had reached 65s. And below that price the colonial corn could enter at a fixed duty of 5s., while foreign corn had to pay high graduated duties. If, for instance, the price in England was 52s. per quarter, Canadian corn would enter on a payment of 5s., while American or German corn could only enter at a payment of 34s. 8d. This carried out the old idea of treating a Colony almost as part of the United Kingdom.

Preference was first given to British North American timber during the long wars against France, partly as a measure of retaliation against Napoleon's continental system. The ancient policy had been to admit foreign timber at a small revenue duty, and until 1795 the duty was only 6s. 8d. per load, nor was there then any preference given to colonial timber. Before the end of the war the duty on foreign timber, and the discrimination in favour of colonial timber, had become very great. The policy was continued when peace returned, and as late as the year 1841 there was a duty of 55s. a load on Baltic timber and one of 10s. a load upon British North American. The difference was so

great that Baltic timber intended for England was sometimes exported to Canada in order to be re-shipped and enter England at the colonial duty.

The third great subject of preference was the sugar produced in the West Indies and (for long in a less degree) that produced in the East Indies. Attempts to reduce this discrimination, which had gradually grown up, were for many years successfully resisted, and, at the beginning of Peel's Administration, the duty on foreign sugar stood at 63s. the cwt. and that on colonial sugar at 24s.\*

In addition to these three great discriminations in favour of colonial corn, timber, and sugar, there were a number of smaller ones in favour of various articles of trade.† The system rested upon no general and harmonious ground-plan. In the case of some goods the preferences were large, in that of others small, in that of others non-existent. Preference was given largely to the produce of some parts of the Empire, while less, or no, preference was given to the same produce from other parts. It was evident that the relative parliamentary strength of various interests had much to do with the distribution of these gifts of the gods. There was, for instance, no preference given to Australian corn, for no better reason apparently than that Australia had hardly come into existence when the preference was first given to Canada. Until 1836 a smaller preference was given to East Indian sugar than to West Indian. So also West Indian tobacco did, but East Indian tobacco did not,

\* Plus in each case a temporary duty of 5 per cent. which had been added to all taxes to meet fiscal emergencies in 1899.

† See Appendix III.

receive a preference (as it stood in 1840) of 3d. per lb. over foreign-grown tobacco. At the same date the duty levied in England on rum produced in the East Indies was higher than that on the privileged rum produced in the West Indies.

While preferences were given in the English market to raw produce produced in other parts of the Empire over that produced in foreign countries, preferences, as against foreign goods, were given, also by laws passed at Westminster, to British manufactured goods exported to the Colonies and to India. These differed in the various oversea dominions. Those levied in Indian ports and some other Colonies were settled by the Crown, subject only to criticism in Parliament, and were lower, relatively to the duties imposed on foreign goods, than those levied in the North American and West Indian Colonies, which were imposed by Acts of Parliament. At the beginning of Peel's Administration, the duties on foreign manufactures imported into Canada were on three levels, according to the class of goods, of 30, 20, and 15 per cent. ad valorem duties. These duties were, in fact, prohibitory, and the import of fish, other than the product of British fishery, was absolutely prohibited. The duties levied upon the same classes of foreign goods in India, Ceylon, Australia, and Cape Colony were much lower. In the Cape 10 per cent. ad valorem was levied on foreign and 3 per cent. on British manufactured goods; in Ceylon 10 per cent. on foreign and 4 per cent. on British; in Australia 5 per cent. on foreign and none on British. In India  $3\frac{1}{2}$  per cent. was levied on British manufactured silks and cottons and 7 per cent. on

foreign, and similar low discriminating duties on other articles. So far as regarded India the lower discrimination was probably due to the trade policy of the East India Company.

Mr. Gladstone, in a speech made in 1842, when he was President of the Board of Trade, said that in 1822 and 1825 measures had been passed substituting protective for the prohibitory duties formerly levied in the American Colonies upon foreign goods. But, he added, the duties still leviable by authority of the Imperial Parliament were "fixed at rates which cannot be justified either with regard to the interests of the revenues of the Colonies or with the principles laid down by Parliament as to colonial legislation. While we have a system of severe taxation, and almost of prohibition, in our Colonies of the West, the Crown, acting under the authority of Parliament, has applied to our Eastern possessions and to the mighty Empire of India completely different principles." In these Eastern possessions, he said, there was not a case in which any differential duty amounting to more than 7 per cent. was levied for the purpose of protecting British manufactures.

Colonies possessing Legislatures were empowered to levy duties of their own for the sake of revenue, and these duties were over and above those levied under imperial legislation, rather as in France, in these days, municipal bodies can levy additional "centimes" on national taxes. The colonial Legislatures were, however, prohibited from imposing discriminating duties. Canada, for instance, could not charge distinct rates of duty upon the same article imported from the United Kingdom, the United States, or Jamaica. Revenue necessities compelled

the Colonies to raise such undiscriminating duties. The proceeds of all duties, both imperial and local, went to meet colonial expenditure. The net result of the American War of Independence was that the Imperial Parliament, taught by sad experience, abandoned the attempt to raise money from Colonies for imperial purposes, but retained and used the right to impose duties, the proceeds of which went to the Colonies, for the purpose of regulating trade and maintaining the system of preferences within the Empire.

### III

This subject may be summarized in the following way :

The old "colonial system" was based on the idea of a self-contained and self-dependent Empire, governed from London and regarded as an extension of Great Britain treated as much as possible as a single State, subject to such modifications as were made necessary by distance, varying circumstances, and varying needs of revenue for local purposes. This Empire was to supply, as much as possible, all its own needs, the oversea dominions feeding the mother country with raw material and food products and the mother country supplying these dominions with manufactured goods. The Empire was to have its own commercial marine and it was to exclude from its intra-imperial trade all ships of other Powers. That marine was supplied by Great Britain, and, if this monopoly were disadvantageous to the Colonies, it was considered that they received ample compensation in being freed from the whole burden of naval and military defence, which was borne by the British

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taxpayer. It was hoped that, beneath this shelter, the Colonies would grow up into strength which would promote the strength and power of the Empire as a whole. The system was founded upon a great theory and its parts hung together fairly well, although in practice and detail there was a lack of harmony and scientific completeness.

The first blow to the old colonial system was the rebellion of the American Colonies, due to the premature attempt to make the colonists contribute directly towards the naval and military expenditure of the Empire, when they were not directly represented in the Imperial Parliament. This was an infringement of the old English doctrine of no taxation without representation. Although, as it was argued at the time, many towns in England were taxed without being directly represented, the case of America was on too large and flagrant a scale for such taxation to pass without resistance. Had it not been for this false step the American colonists, although grumbling, might have accepted as long as the Canadians did the system of the levy of dues for regulation of trade, subject to the proceeds of the dues being paid into colonial Exchequers. After this the system was very slowly and gradually relaxed, until it was altogether destroyed by the establishment of free trade in England and the repeal of the Navigation Acts, and the grant of full self-government in all respects to the most important Colonies, and their emancipation from any conditions as to inter-imperial trade, which soon followed. All that was eventually left of it, until the Colonies began to return towards the preferential system at the close of the nineteenth century, was that the taxpayer of the United Kingdom

bore the whole burden of naval and military defence, and that the British Government controlled the whole foreign policy of the Empire. In the case of India and the Crown Colonies the system so far survived that the Imperial Government in London controlled, and still controls, the duties upon goods imported into these countries, and insisted, and still insists, upon their adhesion, except for small revenue tariffs, to the system of free trade adopted in England, but no preference was now given, as it was before, either to the productions of those countries in the markets of the United Kingdom or to the produce of the United Kingdom in the markets of those countries.

## CHAPTER III

### THE WHIGS AND SIR ROBERT PEEL 1832-1841

#### I

THE Reform Act of 1832 transferred a large share of representation in Parliament from decayed ancient boroughs to new manufacturing towns and to the counties. It also extended the franchise to £10 householders in the towns, and to copyholders, leaseholders, and tenants at will in the rural districts paying £50 rent and more. Previously, in the counties, the franchise had been the monopoly of freeholders owning land of the value of 40s. a year and upward. In Ireland an Act of 1829, as an antidote to Catholic Emancipation, had raised the freehold qualification to £10, and so disfranchised the small 40s. freeholders, legions of whom, mostly Catholics, not able to send to Parliament men of their own Church, had been created by Protestant landowners fighting each other, out of vanity, for seats in the House of Commons. The Clare election had shown that the power of landlords over the Irish peasants had begun to pass to priests and patriots, and that the small freeholder had become rebellious and could no longer be trusted. In England and Wales the number of county seats was increased from ninety-four to one hundred and fifty-nine; forty-two new

urban seats were created, the total increase being equivalent to the number of small boroughs abolished. Thus the rural aristocracy, so long as they and the farmers were in harmony, did not lose, but perhaps, for the time being, gained in power by this revolution. The Whig leader, Lord Althorp, frankly said that the Reform Government wished to preserve the influence of the great landed owners in the counties as a balance to the increased power of the industrial classes in the towns. It was, in fact, a thoroughly Whig revolution, though Radicalism supplied the motor power. The Act of 1832 kept in political existence small market towns in rural districts in number sufficient to make the balance a very real one. Indeed, had not a strong minority of landowners been hereditary Whigs, the scales of political power would, after the Reform Act, have been strongly weighted upon the Tory and agrarian side. As it was, it soon became evident that great strength was left to that party, notwithstanding the dismal predictions of men like the aptly-named Croker, who thought that the end of Old England had at last really arrived.

It was, however, true that the political revolution of 1832 did cause a change in the atmosphere, soon apparent in the spirit of legislation. One of the acutest observers of his time, a Liberal who entered the House of Commons in 1830, pointed out, in a book published in 1874, after his death, that the vitality of the former constitution was drawn from the higher classes and the lower ones.

"An election for Westminster was not merely the return of two members to Parliament; it was a manifestation of the feeling prevalent among the masses throughout England,

and the feeling among the masses had great influence in moments of excitement, and in all matters touching the national dignity and honour. On the other hand, it was by the combinations of powerful families that a majority was formed in Parliament, which, in ordinary times, and when no great question was at issue, ruled the country. The populace by its passions, the aristocracy by its pride, gave energy to the will and elevation to the character of the nation, disposing it to energy and to action. The Government we had recently created" (from 1832 he means) "was, on the contrary, filled with the soul of the middle classes, which is not cast in an heroic mould. Its objects are material, its interests are involved in the accidents of the moment. What may happen in five years to a man in trade is of comparatively small importance. What may happen immediately makes or mars his fortunes."\*

In Sir Henry Bulwer's view, therefore—and he was a man who combined great practical experience of foreign with domestic political affairs—there was, during the period which followed the Reform Act, a certain weakening in the strong side of the former constitution. Especially in matters of trade policy there was a danger lest the middle-class spirit, inclined to look to immediate profits and quick returns, should prevail too much over the aristocratic spirit, based on the principles of landowning and accustomed to make present sacrifices with a view to more distant advantages. The spirit of the man who keeps a shop and desires to turn over his capital as rapidly as possible must differ from that of the man whose interest lies in draining fens or planting forests, and this difference of spirit must, according to the balance of power, subtly affect the conduct of national affairs. The middle-class mind, while it has itself small aptitude for

\* Lord Dalling and Bulwer (Sir Henry Bulwer) in his book "Sir Robert Peel."

political government, wishes to be governed as little as possible. Beyond the maintenance of order, postal, business, and traffic facilities, this self-sufficient type requires little from public authorities. Things, on the whole, were ordered according to the likings of this temperament from 1832, until the Reform Act of 1867 admitted a larger proportion of the artisan classes, and even, with some modification, until the further extension of franchise in 1885. Free imports, for instance, seemed to accord with the interests of the middle man, and while he reigned, this theory was almost unchallenged. The good side of the Reform of 1832 was that politicians no longer, as formerly, looked almost entirely upwards for power, to great nobles or ministers, but had to look round, and even, to some extent, to look downwards. History too sadly confirms the truth that, as a rule, those who have nothing to give in return receive little attention from those who covet power.

Dissensions broke out in Earl Grey's Cabinet over Irish questions. The Colonial Secretary, Mr. Stanley (afterwards Lord Stanley, finally Earl of Derby and Tory Prime Minister), resigned; so did Sir James Graham, of the Admiralty, and two other Cabinet peers. A few months later the Cabinet was divided over an Irish Coercion Bill, that perennial cause of division. Lord Althorp, who led the Commons, thought the Bill too strong, and resigned. Earl Grey, who would not recede from it, also resigned. Lord Melbourne became Prime Minister, and under him Lord Althorp resumed office. In November, 1834, King William, who disliked them all, took advantage of Lord

Althorp's accession to the House of Lords to dismiss Lord Melbourne (the last royal act of this kind in English history), and to appoint, as the Duke of Wellington wished this, the Tory chief in the House of Commons, Sir Robert Peel, to be Prime Minister. The General Election which followed gave an additional hundred votes in the House of Commons to the Tories, but, by reason of their failures on the Irish field of battle, not a clear majority in that assembly. In April, 1835, the new Government were defeated on the question of Irish Church revenues, and resigned. Reluctant King William, after this brief spell of happiness, had to recall Lord Melbourne. The Whig Government, in which the two great Earls, Grey and Spencer, declined to serve, rested upon a small majority, composed of discordant elements. It tottered on, still weaker after the elections of 1837, but now supported by the touching affection of the spirited young Queen for the good-humoured and wise man of the world who was First Minister. At the end of the session of 1841, Lord Melbourne's Government fell in a pitched battle fought in the House of Commons, and was replaced by that formed by Sir Robert Peel, and destined to have so eventful a career. It is worth while to remind the reader—one forgets these things so easily—of the main incidents in the life of the hero of the Economic Revolution.

This illustrious official and parliamentarian was in 1841 in his fifty-fourth year. His grandfather was a northern yeoman who founded a cotton manufactory. His father increased the business, made a great fortune, became a Staffordshire landowner, a member of Parliament, and a baronet. This first Sir Robert

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Peel, an immense admirer of Pitt, trained his diligent, good, and serious boy with the deliberate view of making him the future Tory leader.\* He found an Irish seat for his son, who had taken the highest classical and mathematical honours at Oxford. It is said that old Sir Robert thus addressed his important friend, Lord Liverpool : " My son is a young man of rare talent, and will one day play an important part, but I know him well ; at bottom his tendencies are Whig ; if we do not immediately enlist him in our ranks he will escape from us. Give him something to do ; he will serve you well ; but you must make sure of him without delay." † The hint was taken. A few months later Mr. Perceval, then Prime Minister, made the young Oxonian of twenty-two into an Under-Secretary of State for the Colonies. " Never," remarks Greville, " did any father do a greater injury to a son, for, if Peel had joined a more congenial party, he might have followed the bent of his political inclination, and would have escaped all the false positions in which he has been placed. . . . As it is, his whole life has been spent in doing enormous mischief and in his attempts to repair that mischief." Two years later Lord Liverpool, now himself Prime Minister, made young Peel Chief Secretary for Ireland, an excellent training post, his experience from which much affected his career. Here he remained from 1812 until 1817, and, in 1821, became Secretary of State for the Home Department, and held that office until the end of the Liverpool Cabinet.

\* For one thing, young Robert, after returning from church, had to repeat the sermons to his father. According to Sir Lawrence Peel's book on his illustrious cousin, the old Sir Robert, being devoutly thankful for the birth of a boy after two preliminary girls, fell on his knees and vowed that he would devote the new-born babe to the " service of his country."

† Guizot gave this tale in his book on Peel.

in 1827. Like William Pitt and William Gladstone, he was from youth up a denizen of parliament and public offices, and acquired the defects and virtues of that region, especially the defect—or is it a virtue?—of shyness of commitment to any general principle.

Official life, working upon natural temperament, moulded Peel into a man of high practical capacity, but not brightly illumined by those central and life-giving ideas which feed and maintain the inner or essential soul of a man or a party. In 1841 John Henry Newman, a deep student, not so much of the metaphysical as of the working nature of man, wrote a series of letters to *The Times*, criticizing a conventional address delivered by Sir Robert Peel at the opening of the Tamworth Reading Room. Newman complained that the leader of the Conservative and Church party had servilely “mimicked the gestures and tones” of that great Liberal sophist, the intolerable Lord Brougham; that, instead of asserting the sphere of the supernatural, he had advocated the study of natural science as the best road to true religion, and had announced that thoughts of the wonders and laws of the physical universe could “impart pleasure and consolation even on a death-bed.” Newman said :

“ How melancholy it is that a man of such exemplary life, such cultivated tastes, such political distinction, such parliamentary tact, and such varied experience, should have so little confidence in himself, so little faith in his own principles, so little hope of sympathy in others, so little heart for a great venture, so little of romantic aspiration, and of firm resolve and stern dutifulness to the Unseen! How sad that he who might have had the affections of many should have thought, in a day like this, that a statesman’s praise lay in preserving the mean, not in aiming at the high ; that to

be safe was his first merit, and to kindle enthusiasm his most disgraceful blunder! How pitiable that such a man should not have understood that *a body without a soul has no life, and a political party without an idea no unity.*"

This was a surprising assault upon the golden mediocrity and compromising spirit so valued by the old middle-class electorate in affairs both of Church and State. The last words define the distinction between high statesmanship and officialism. Events showed, nevertheless, that Peel had heart to make a very great venture when he felt confident that the cause was just, and that the mass of the nation was with him, and against his party. In this last respect Peel's venture did not resemble that simultaneously made by Newman. The statesman without a dominant idea, or guiding star, or romantic aspiration, sometimes, and just for that reason, takes the most revolutionary step, influenced as he then must be by passing events or the general atmosphere of feeling. Whether he is to be deemed, exactly for that reason, the best servant of his nation must depend upon the idea which each man has of the nature of things, the means of guidance, the source of wisdom.

From 1821 to 1827 Peel's rival in the Liverpool Cabinet had been the brilliant Etonian, George Canning, by whom, in charm and original genius, though not in painstaking industry, or conscientious endeavour, the Harrovian was far outshone. "Canning," said Byron the poet, "is a genius, almost a universal one, an orator, a wit, a poet, and a statesman." Nor does one easily forget the winged words of Disraeli: "I can recall the lightning flash of that eye, and the tumult of that ethereal brow;

still lingers in my ear the melody of that voice." Canning and Peel were divided by temperament, the difference between the light-fiery and the heavy-serious intellect, by the gulf which lies between poetry and prose, between genius and industrious ability, and, in their views, by the great question of Catholic Emancipation. Should men be allowed to sit in the two Houses and in corporations, or hold public offices, or commissions in the army or navy, without first subscribing to a declaration denying the Roman doctrine of "Transubstantiation," and denouncing the "Invocation of Saints" and the "Sacrifice of the Mass" as "superstitious and idolatrous"? \* England and Spain were in 1828 the only European States in which men were by law disqualified on account of religious opinions. Canning advocated this reform, and so did many of the younger Tories, and all the Whigs. In this, as in other things, Canning was the disciple of Pitt. "To one man," he had said, "I was devoted with all my heart and all my soul. Since the death of Mr. Pitt I acknowledge no leader; my political allegiance lies buried in his grave." † Canning said this in 1812, the year when Perceval died. From that time, as Palmerston remarked, "it became impossible to form an anti-Catholic Administration, because both Canning and Castlereagh were for Emancipation, as were all the Whigs, and against such opponents no Government could be formed in the House of Commons. It was therefore determined that it.

\* From 1677 in England and from 1691 in Ireland, until 1829, every Bishop, Peer, and Member of Parliament had to make this declaration before taking his seat, in addition to the previous oaths of supremacy and allegiance. This line of demarcation effectively kept out all Roman Catholics. In the case of the King it continued until the accession of George V.

† Canning's speech at Liverpool, 1812.

should be an open question, on which every man should vote as he chose." \* Upon these lines, and upon lines of commercial and foreign policy, the Canningite party was formed and divided itself from the old Tory party. Their principles, says the biographer of Palmerston, "were in part manifested in the adoption, though not without reservations, of the doctrines of free trade at home, and in the withdrawal of religious qualifications for political functions both at home and abroad. Such, on the one hand, was the Canningite party; on the other hand, that section of Lord Liverpool's Cabinet which had quitted Mr. Canning had a leaning towards the absolute Governments on the Continent, was disposed to a protective policy in regard to trade, and was for maintaining unimpaired the maxim of Protestant ascendancy throughout the United Kingdom." Bulwer adds that "Mr. Peel stood in a certain degree alone, agreeing with the Duke of Wellington on the Catholic question, and with Mr. Huskisson and his friends on almost every other." In this way Peel came to break with the Canningites on the Catholic question and, at a later time, with the mass of the Tory party on the trade question. In the spring of 1817 he made a famous and opportune speech against Catholic Emancipation.

"There never was a speech," wrote an observer at the time, "that did so much for a man as Peel's speech on the Catholic question. I have heard many better, most unquestionably, but his cause wanted an advocate, and he has established himself in that powerful situation." † So also wrote the

\* Quoted in Bulwer's "Palmerston," vol. i. p. 372.

† Binning to Bagot, 18 May, 1817, in "George Canning and his Friends," by Captain J. Bagot.

Whig Sir James Mackintosh on the same occasion. "Peel made a speech of little merit, but elegantly and clearly expressed, and so well delivered as to be applauded to excess. He is a great proof of the value of the mechanical parts of speaking when combined with industry and application. He now fills the important place of spokesman to the intolerant faction." Lyttelton wrote to Bagot that the speech had raised Peel "pegs innumerable, and I don't know how many people have been saying ever since 'That young fellow will ere long be at the head of affairs in this country.'" \* The speech at once gave Peel the then much-coveted honour of a seat for Oxford University. Some of the Canningite group thought at this time, and said to each other, that Peel was "unprincipled." Peel's action was closely analogous to that of Disraeli in the "forties." He found the Protestant cause abandoned by Canning and by the more intellectual Tories, but ardently maintained by a majority, lords and squires and merchants, who felt but could not argue. Without fully sharing their feelings, Peel made himself their advocate, and, although he afterwards abandoned the cause, he secured the leadership. Substitute the word "Protection" for "Protestantism," and what else did Disraeli in 1845 and 1846?

On the 18th February, 1827, Lord Liverpool was struck down by apoplexy; a new Minister was

\* Lyttelton to Bagot, May, 1817. This was the amusing Hon. W. H. Lyttelton, a Whig M.P., later the third Lord Lyttelton. He was in feeling antipathetic to Peel. Five years later, 18 October, 1822, he wrote to Bagot: "It is commonly believed amongst us exoterics that Peel, whose early prudence and premature worldly wisdom made him always peculiarly odious in my eyes, looked with his habitual caution upon the dangerous honour of leadership, and declined it."

necessary, and George IV selected Canning. Peel, with the Duke of Wellington, Lord Eldon, and others of the existing Administration, refused to resume office under Canning expressly and publicly on account of their divergence from him on the Catholic question. Canning's position during the few months that he was Prime Minister resembled that of Peel in 1846. He was supported by a minority of the Tories and by the Whigs, and was attacked by the ultra-Tories. Peel, however, never in his opposition to Canning went beyond the bounds of strict decorum, or expressed himself in other than correct and moderate terms. He held honestly, and was well entitled and, indeed, almost bound to hold, that, after his long and leading opposition to Catholic Emancipation, he could not take office under a Minister with Canning's views, even if the question should remain open. "Peel's resignation," wrote Palmerston to his brother on 19th April, 1827, "was expected by Canning, as he had all along explained that, from his peculiar connection with Oxford, he should think himself obliged to go out if a Catholic were head of the Government."\* Peel himself wrote to a kinsman two days later: "Canning *must* exert himself to carry the Catholic question, and to the carrying of that question, to the preparation for its being carried, I never can be a party, still less can I be a party to it for the sake of office." In another letter Palmerston wrote: "Peel is a great loss, but he parts with undiminished cordiality, and one understands and respects his motive." Certainly one sees how these things came to pass. Peel was bound by his own past, by pledges

\* That meant, of course, a man supporting the Catholic cause.

and declarations which, by this time, he probably regretted. During his later career he was somewhat haunted by these events, and, before his fall in 1846, the warning ghost of Canning might have appeared in Whitehall Gardens. Lord George Bentinck rather brutally raised in that year the charge that Peel was insincere in 1827, and only inspired by rivalry to Canning. Disraeli, who himself in debate had made a far more artistic and subtle, but cruel, use of this same weapon, withdrew, in his Life of Bentinck, the charge of conscious insincerity, and added, mildly, "For the rest, those who are well informed know that between Mr. Canning and Mr. Peel there existed an antipathy. They disliked each other. Mr. Canning was jealous of Mr. Peel, and Mr. Peel was a little envious of Mr. Canning."

Four months after Canning became Prime Minister, he died, harassed or worn to death, said his relatives and friends, by the difficulties of his position.\* For a few months more Lord Goderich presided over a phantasmal Cabinet, and then, on 8th January, 1828, the true Tories returned to power with Wellington as Prime Minister and Peel (not a true Tory) as leader in the House of Commons. Four Canningites were admitted, Huskisson, Dudley, Palmerston, and Lamb—the future Melbourne—but they were virtually dismissed by the Duke at the first opportunity. A point relating to a proposed

\* Sir Henry Holland, one of the physicians who attended Canning, says: "Succeeding to Lord Liverpool's place as Premier when exhausted by recent illness and harassed by increasing toil and turmoil, personal as well as political, from the moment of his taking office, an attack of internal inflammation came on, under which he rapidly sank" ("Recollections of Past Life"). One of the three physicians (not surely the cautious Holland) said to Lord Howard de Walden, "His enemies have succeeded in killing him at last" (see Bagot Correspondence). See also Trevelyan's "Life of Macaulay," vol. i. p. 231, Macaulay's talk with Lady Clanricarde, Canning's lovely daughter.

amendment of the Corn Laws was the cause of this new breach. "I speak," writes Bulwer, "of the quarrel between the Duke and Mr. Huskisson, which led to Mr. Grant being succeeded by Mr. Fitzgerald at the Board of Trade—which led to the election for Clare—which led to Catholic Emancipation—which led, by a new defection in the Tory party, to the Reform Bill—which led to a complete social and political revolution in our country."\*

Wellington conducted politics much as he did his Spanish campaigns. He held a position as long as he could, but, when he deemed it untenable, ordered his army to retreat, and did not, as he would have said, "care a twopenny damn" what people thought of him for so doing. The main object of his strategy was that the Administration should be as much, and as often, and as long as possible in the hands of those whom he deemed the right men. "I was of opinion," said the ever-consistent "Iron Duke" in 1846, "that the formation of a Government in which Her Majesty would have confidence was of much greater importance than the opinions of any individual on the Corn Law or any other law." The state of Ireland was the immediate cause of Catholic Emancipation, as it was afterwards of Corn Law repeal. "Electors of County Clare," said the bragging O'Connell, "to you is due the glory of converting Peel and conquering Wellington," but this election was merely one symptom of the condition of Ireland. The Duke made up his mind in the summer of 1828 to retreat from the position. Peel offered to resign in August, but offered faint-heartedly, and did not persist. He did resign his seat for Oxford University, presented

\* "Life of Palmerston," i. 251.

himself for re-election as a convert to the Catholic cause, and was defeated for that orthodox seat by a sound English Churchman. He was, said a Tory writer of the time, "immediately returned for the borough of Westbury, and, in this character, he was charged with introducing into the House of Commons those measures which he had been teaching the country for twenty years would be ruinous to its interests and its freedom, and in regard to which he was even now to express his unaltered conviction that they were pregnant with danger to the Constitution." Peel defended his conduct in Parliament upon empirical grounds. "I reserve to myself," he said, "the right of adapting my conduct to the exigency of the moment and to the wants of the country." He quoted a lucid and elegant defence from Cicero, that unfortunate Opportunist.\* More fraught with danger, he said, to the public than being afraid was a statesman's fear of being thought to be afraid. A fine passage in the Memoir which Peel afterwards wrote with regard to Catholic Emancipation reveals the working of his mind both in this case and in his later fiscal and economic legislation.

"If it had been alleged against me that the sudden adoption of a different policy had proved the want of early sagacity and foresight on my part; if the charge had been that I had adhered with too much pertinacity to a hopeless cause; that I had permitted too long the engagements of party, or undue deference to the wishes of constituents, to outweigh the accumulating evidence of an approaching

\* "Hæc didici, hæc vidi, hæc scripta legi, hæc de sapientissimis et clarissimis viris, et in hac republica et in aliis civitatibus monumenta nobis litteræ prodiderunt, non semper easdem sententias ab iisdem sed quasunque reipublicæ status, temporum inclinatio, ratio concordie, postularent, esse defendendas."

necessity ; if this had been the accusation against me, I might find it more difficult to give it a complete and decisive refutation. But the charge preferred by those whose favour and goodwill I had forfeited was the opposite of this ; it was that I had without any sufficient reason, nay, that I had from pusillanimous and unworthy motives, counselled the abandonment of resistance which it would have been easy as well as wise to continue unabated. . . . I can with truth affirm, as I do solemnly affirm in the presence of Almighty God, ' to whom all hearts are open, all desires known, and from whom no secrets are hid,' that, in advising and promoting the measures of 1829, I was swayed by no fear except the fear of public calamity, and that I acted throughout on a deep conviction that those measures were not only conducive to the general welfare, but that they had become imperatively necessary in order to avert from interests which had a special claim upon my support—the interests of the Church—an imminent and increasing danger. It may be that I was unconsciously influenced by motives less perfectly pure and disinterested, by the secret satisfaction of being

'When the waves went high,  
A daring pilot in extremity.'

But at any rate it was no ignoble ambition which prompted me to bear the brunt of a desperate conflict, and at the same time to submit to the sacrifice of everything dear to a public man, excepting the approval of his own conscience, and the hope of ultimate justice."

The Duke of Wellington, himself a man of strict veracity ("I have no time not to speak the truth," he once remarked), said of Peel after his death, in the House of Lords : "I never knew a man in whose truth and justice I had a more lively confidence, or in whom I saw a more invariable desire to promote the public service. In the whole course of my communication with him, I never knew an instance in which he did not show the strongest attachment to

truth; and I never saw in the whole course of my life the smallest reason for suspecting that he stated anything which he did not firmly believe to be the fact."

One must accept as a genuine and sincere statement of believed motives Peel's defence of his rapid change from being an opponent to being an advocate of Catholic Emancipation. Yet one can understand the rage of the Tories whose cause was abandoned, the sarcasms of the Whigs whose policy was appropriated, and the irritation of adorers of Canning, who saw Peel in 1829 propose a measure on account of which he had refused to support Canning as Prime Minister two years earlier. Possibly Peel was led less by the reasons which he consciously evolved than by an instinctive or receptive sense of the destinies or winning forces of his time. His mind was like the Thames: it flowed slowly and then suddenly rushed over weirs. Disraeli said that Peel "never hesitated when he had made up his mind. His real character was very different from his public reputation. Far from being timid and wary, he was audacious and even headstrong. It was his cold and constrained demeanour that misled the public. There never was a man who did such rash things in so circumspect a manner."\*

Catholic Emancipation was carried in 1829, as the Repeal of the Corn Laws was in 1846, by the Government, with the aid of the Whigs, against a strong section of the Tories.† The action of the Government on the first occasion, as on the second, broke

\* "Life of Lord George Bentinck."

† In the most critical division the minority was 160.

their party. This was why the Duke's short-lived Administration collapsed in 1830, and why so complete a victory was ensured to the Reformers of the Constitution. Had it not been for the magnitude of the changes accomplished in 1830-32, Peel's action in regard to Catholic Emancipation might not have been easily forgiven by his party. But as leader of Opposition, and as the only man left in the party of great experience, debating power, and capacity, he won back all that he had lost. For a few months of 1834-35 he was Prime Minister; during the rest of the interval 1830 to 1841 he led his side in the House of Commons with skill and patience through depths of failure to ultimate victory.

Notwithstanding this, observers could see, even before he recovered power, the mental and temperamental difference between Peel and the men whom he led. In a debate in 1840, Macaulay said of him, "It has been his misfortune, it has been his fate, to belong to a party with whom he has less sympathy than any head ever had with any party." He added that, where Peel did agree with his followers, "he seldom arrives at those conclusions by the same process of reasoning by which their minds are led. Many great questions which they consider as of stern and unbending morality and of strict principle have been viewed by him as mere points of expediency, of place, and of time." He was, said Macaulay, "a statesman high in intellect, moderate in opinions, calm in temper, free from the fanaticism which is found in so large a measure among his followers." He predicted that if Peel were in power he would soon "lose the support of a great portion of his own party, and yet not gain

the support of the other, till at last his Government will fall from causes purely internal." This was an uncommonly good prophecy. But what should a leading statesman do when he has changed his mind upon a great political question? Should he retire from the field of action, or should he try to lead his followers to settle the question at once in his new sense? Probably the wisest course is that of St. Paul, who, after his conversion, retired for some time from active life. Sir Robert Peel, by the course which he took in 1846, shattered his party. So also, in 1886, did his most remarkable disciple, Mr. Gladstone. On the other hand, Sir Robert Peel conceived himself to be justified by the pressing character of the situation, by fear in the first case of Irish rebellion, and in the second of Irish famine. In both cases the leader had really been converted in his mind before the event took place which gave him an opportunity to declare his full conversion and to act upon it. It was Peel's destiny, as Lord Rosebery has said in his essay, "in 1829 to deal High Toryism an almost mortal blow, to reconstitute a new Toryism by patience and labour, and to shatter all in 1846."

Lord John Russell, in a speech in a famous debate of 1846, summed up the history well. He said of Sir Robert Peel:

"He has twice changed his opinion on the greatest political questions of the day. Once, when the Protestant Church was to be defended, and the Protestant Constitution rescued from the assaults of the Roman Catholics which, it was said, would ruin it, the right honourable gentleman undertook to lead the defence. Again, the Corn Laws were powerfully attacked in this House and out of it. He took

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the lead of his party to resist a change and to defend protection. I think on both occasions he came to a wise conclusion, and to a decision beneficial to his country. But that those who followed him—men who had committed themselves to these questions on the faith of his political wisdom, on the faith of his sagacity, led by the great eloquence and ability he displayed in debate—that when they found he had changed his opinions, and proposed measures different from those on the faith of which they had followed him, that they should exhibit warmth of resentment was not only natural, but I should have been surprised if they had not displayed it."

These remarks are open to the criticism that it was not faith in Peel's wisdom and sagacity that led the Protestants of England on the one question, or the Agrarians on the other, to commit themselves to Protestantism or protection. They were led by their traditions and instincts, and Peel was but the advocate in whom they trusted. Their real feeling was that of defendants in an action who should suddenly find that their well-paid counsel had begun to argue for the plaintiff. That excellent and detached observer, Charles Greville, wrote of Peel, in September, 1841 :

"He must be too sagacious a man not to see what are the only principles on which this country can be governed, and that, inasmuch as he is wiser, better informed, and more advanced in practical knowledge than the mass of his supporters, it is absolutely necessary for him to assume that predominance over them, and to determine their political allegiance to him, without establishing which his Government would be one of incessant shifts and expedients, insincere, ineffective, and in the end abortive."

His task was, in short, to lead his party against

their own principles, and this could only be done by iron discipline.

Peel might by this means have succeeded in holding the allegiance of his party, even through the crisis of the Corn Law in 1846, had not his camp contained one rebel of genius, immense ambition, courage, and daring.

The fact was, as Lord Rosebery has remarked, that the schism of 1846 was but the climax of the long-evolving divergence between the older Toryism and the new Conservatism.

Peel's letters show that beneath a cold exterior he concealed both fire and humour. But he was a man of remarkable decorum. His very dissimilar Harrow school-fellow, Byron the poet, said that Peel as a boy never got into scrapes and always knew his lessons. His dignified, moral, serious character and demeanour won the esteem of the temperate and sober-minded English folk of the middle-class, who between 1832 and 1867 possessed more relative power in the Constitution than at any other period. Like his admirer King Louis Philippe in France, Peel represented the "juste milieu," standing, near the hereditary Whigs, between the advocates of reaction and revolution. He was the most experienced official and parliamentarian, and, after Canning's death, the best and readiest debater in the House of Commons. No one then "knew the ropes" like him, and he could play, said an observer, upon the House of Commons as it were upon a fiddle. Especially on his own side he stood pre-eminent. After 1841 he had a few able lieutenants, some, like Lord Stanley and Sir James Graham, refugees from the Reformers, others, like Gladstone

and Sidney Herbert, who had been bred from the unreasoning cradle as Tories, but, on the whole, the Conservative party, as it began to be called, was much inferior to the Whig-Liberal-Radical combination in debating ability and industry. The one man of supreme mind in the Tory ranks under Sir Robert Peel was Benjamin Disraeli; and he was a rebel, covert or overt, almost from the beginning of the 1841-46 Administration. Intellectualism was mainly in the Liberal scales, inside and outside Parliament, during the half-century between the death of Canning in 1828 and the Government of Gladstone in 1880, when it began to return to the Tory camp, where it had been in the latter days of Burke and Johnson.

## II

During their decade of power, which lasted, with but a few months' break, from 1830 to 1841, the Whig Governments did not substantially change the national system of Corn Laws, Colonial Preference, Navigation Acts, and high protective duties upon manufactures. They were occupied with Irish affairs and many domestic reforms; their leaders were moderate protectionists, and were satisfied, although their Radical wing were not, with the system as reformed by Canning and Huskisson. In 1832 an amendment in favour of repeal of the Corn Laws only secured three votes, two of which were given by Hume and Cobbett. Lord Melbourne himself publicly declared, in a debate of 1839, that "to leave the agricultural interest without protection" was "the wildest and maddest scheme that ever entered into the imagin-

ation of man.'" For some years harvests were good and bread prices were low, nor had the Anti-Corn-Law feeling, though smouldering in the country, as yet been blown into flame by powerful agitators. But, at the end of 1838, Cobden and Bright formed at Manchester the new League.\* They were popular speakers, whole-hearted in their cause, blind to many horizons. Their movement might be compared with the simultaneous movement of the Oxford Tractarians. Both movements attacked, in different spheres, an old Whig system which had held the ground since the Revolution of 1688 and had been adopted at the end of the eighteenth century by the Tories. The Cobden movement soon began to affect the mind of the Cabinet. On Thursday, 24th January, 1839, young Queen Victoria entered in her diary :

"Lord Melbourne said there had been rather an important Cabinet yesterday, about the Corn Laws, which lasted from 3 till 6. 'There was a good deal of difference of opinion,' he said. 'I hope it'll go no further.' Thomson and Howick, he said, were very anxious, and urged it very strongly, that the Government should take advantage of the present clamour about the Corn Law 'and change the present fluctuating duty upon corn to a fixed duty of 10s.' Lord Melbourne said that the greater part of the Cabinet were for the change, but think it would be extremely unsafe for the Government to change at this moment the course the Government has hitherto pursued; it was an open question, and every one voted as they liked, he said. 'But they' (Thomson and Howick) 'urged it very strongly; it was a very eager debate, and they may urge it further.' Interests and opinions in the country, he says,

\* The Anti-Corn Law League which replaced another association formed in 1836. Mr. Villiers had for several years brought forward motions in the House of Commons.

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are very much divided upon it; some think the present system, which almost entirely excludes the importation of foreign corn, is very injurious to the country; others just the contrary."—"Girlhood of Queen Victoria," vol. ii. p. 105.

Towards the end of their spell of office the restraining power of fiscal conservatives in the Whig Government, especially Lord Melbourne, had been sapped by events. The abundant harvests in England during the years which followed the Reform Act were followed, after 1837, by some bad seasons. The average price of wheat during the five years 1833 to 1837, inclusive, was 49s.; during the next four years, 1838-41, it was 66s., and, during these last years, trade generally was bad and wages were low. Although the railway era had begun sufficiently to arrest the further employment of capital and labour on roads and canals, the great rush of capital into that channel had not yet set in. It was a moment of arrest and expectation. These were lean years for the national Exchequer. During several years there had been a growing excess of expenditure over revenue; the existing sources of supply were inadequate to meet the demands of the spending departments, and able Treasury officials, like Deacon-Hume, urged the reduction of Customs duties to levels which would give less protection, and yield more revenue. As a temporary measure the paralysed Whig Government in 1839 added a 5 per cent. duty to all taxes, but, in the case of customs duties, this step, in consequence of the check to consumption, had not produced the increase of income estimated. For the year ending 30 April, 1841, the actual expenditure had been £49,285,396, the actual

revenue £47,443,399, and the deficit was £1,841,997. The Whig Chancellor of the Exchequer proposed in his Budget to raise a larger revenue by reducing the duties on foreign timber and sugar. The duty on Baltic timber was to be reduced from 55s. to 50s., while that on colonial timber was to be raised from 10s. to 20s. The duty on foreign sugar was to be reduced from 63s. to 36s., while that on West Indian and East Indian sugar was to be maintained at 24s. The increase of revenue from the timber duties was estimated at £600,000, that from sugar at £700,000. Another £800,000 were to be raised by temporary borrowing on Exchequer Bills, and, finally, a sum of £400,000 was to be raised either by direct taxation or by a reduction in the duties on imports of foreign corn, but this question was to stand over until the Committee stage of the Budget. Mr. Labouchere intimated his own preference clearly enough. He asked the House, "Whether they would be prepared entirely to refuse to consider the interests of their own population, or whether they would, by reducing the corn-protecting duties, obtain what was required for the revenue, and not add to the burdens of the public." He said also that he never recollects any feeling so general, so intense, yet at the same time less clamorous, than that which existed as to the Corn Laws. Before the Government fell they clearly announced that they intended to propose a fixed duty, of probably 8s. per quarter, on imports of foreign corn in lieu of the sliding scale. It was at the close of the Cabinet which decided to take this step that the Prime Minister, Lord Melbourne, said, "By the by, there is one

thing we haven't agreed upon, which is, what we are to say. Is it to make our corn dearer or cheaper, or to make the price steady? I don't care which, but we had better all be in the same story."\* This amusing and well-known tale shows that the theme of the discussion had been rather the effect of the step upon the divisions in the party than its effect upon the cost of food.

### III

Timber and corn, two mighty and menaced interests, contributed largely to the rout of the Whigs at the elections of 1841, but it was sugar that caused their defeat in the House of Commons which led to those elections.† It was on the proposal to reduce the tax upon foreign sugar from 63s. to 36s. that, after immense debate of many days, the Government were beaten. They were deserted by some Liberal philanthropists who were unwilling to see any advantage given to the slave-owning planters of Cuba and Brazil. "Singular article of produce!" exclaimed Disraeli. "What is the reason of this influence? It is that all considerations mingle in it, not merely commercial, but imperial, philanthropic, religious, confounding and crossing each other, and confusing the Legislature and the nation, lost in a maze of conflicting interests and contending emotions."‡

\* Spencer Walpole's "Life of Lord John Russell," vol. i. p. 369. Lord Clarendon was the authority.

† The Government did not resign or dissolve immediately on this defeat, but were beaten by one vote on a motion of want of confidence which soon followed it. Then they dissolved, and after the elections were again defeated and resigned.

‡ "Life of Lord George Bentinck." Sugar is also still perplexing because it is both a direct form of food and a raw material, and because it can be produced both from sugar-cane in the tropics and from beet in Europe, and even in England. Philanthropic and religious considerations are of late more involved in the production of cocoa and rubber and gold.

In 1833 the Whig Government had passed a measure which had great consequences in various ways. All the slaves in the British Empire were emancipated at a cost in compensation of £20,000,000, the debt charges on this sum being charged upon the taxpayers of the United Kingdom. To break the fall of the owners it was provided that for seven years, until August, 1840, the redeemed slaves should be subject to a system of apprenticeship and tied to the plantations, like the indentured Indian coolies working at the present day in Mauritius, Natal, and the West Indies. This system did not last the seven years. Some of the West Indian planters continued, by force of habit, to treat the apprentices much as though they still were slaves; there was a blaze of indignation among some important electors in England, and in 1838 the Whig Government hurriedly introduced two Bills, one regulating hours of labour and other matters in the West Indies, and the other regulating the prisons. The first Bill was strongly resented by the Legislative Assembly of Jamaica. Rather than be legislated for from Westminster, they resolved themselves to abolish the system of apprenticeship before its time, and passed a measure to that effect. Hardly was this accomplished when the second Act, regulating the Jamaica prisons, arrived from London, and was received with bitter resentment by the colonists. "It is worse than useless," said a member of the Jamaica Legislature, "to keep up merely the show of legislation when the substance is gone . . . we must bring to issue the question whether our laws are to be made here or in London." The Assembly passed

resolutions to the effect that the Prisons Act was a violation of the Jamaica Constitution as established in 1778, and that, until it was recalled, they would themselves cease to act. It was a legislative strike. In the following year, 1839, the Whig Government, following the lines adopted by Lord North in the case of the old American Colonies, met this rebellion by introducing at Westminster a measure to suspend for five years the Jamaican Constitution. The Bill was opposed by the Tories and a few Liberals, and was only carried by five votes (294 to 289), an event followed by the resignation of Lord Melbourne's Government and the formation by Sir Robert Peel of that Administration which died, still-born, when the gallant young Queen resisted the displacement of her Whig ladies in favour of Tory rivals. After this episode, the Suspension Bill was dropped by the Whigs, and a *modus vivendi* was arranged with the Jamaicans.

As a result of these events the former slaves were, by the year 1838, entirely free, only working, where and when they chose, for wages. Most of them, in slavery days, had had allotments where they raised their own food in leisure hours, and as the soil in the West Indies was productive, the climate easy, and the pressure of population none too large, they were now able to maintain themselves in considerable comfort with less regular and assiduous labour, or sometimes none, on the plantations. The supply of labour fell off and cost more, the output of sugar decreased, and its price rose in the English market. This led to a demand in England for a reduction of the practically prohibitory duty on foreign (non-colonial) sugar.

The arguments for and against the proposed reduction of the sugar duties and the diminution, or entire abolition, of the preference given to West Indian and East Indian sugar were fully stated in the great debate of 1844, and were frequently repeated during the following years. The main arguments on behalf of the change resembled those urged by the Anti-Corn-Law League. Sugar was almost as much a necessary of life as wheat itself; the food of the people was being kept at an artificially high price in order to enhance the profits of West Indian planters; this was a less serious matter when the West Indies could easily produce all the sugar required in England, but now the increase of population in England and the diminution of output, or increase of cost of output consequent on the abolition of slavery, had made it an increasing injury, measured by the recent rise in price. Sugar was not only an article of prime consumption, but raw material used in important manufactures of articles of food, so that a rise in price checked employment of labour at home. Easier admission of foreign sugar would increase the trade with foreign countries, and, consequently, the employment of capital and labour at home in producing manufactured goods sent in exchange. Advocates of reform also pointed out that the national revenue would be largely increased if a moderately protective, revenue-producing duty, applicable without much, if any, discrimination both to colonial and foreign sugar, were substituted for the existing duty, which practically excluded foreign sugar. If benevolent Tories urged that the preference was intended not only to secure profits to the planters but employment and wages to the newly emancipated 800,000

West Indian slaves, the Liberals answered that in the climate and circumstances of the West Indies the late slaves were now in an incredibly happy and comfortable position, with land to cultivate, plenty to eat, and easily earned wages wherewith to purchase clothing and luxuries. Their position was contrasted with that of the poorest classes in England, at whose expense the colonial preference was given. This was easily done by quoting extracts from dispatches from West Indian Governors showing the happy results of the Government's great measure of emancipation, or letters from visitors to those sun-bathed and indolent islands, and then quoting extracts from newspapers or reports by officials revealing deplorable incidents in the life of the very poor in the squalid cities and beneath the murky skies of industrial England.

The argument by which the Conservative Opposition gained some Liberal support—namely, that to admit foreign sugar upon easy terms was to encourage, at the expense of free labour in our Colonies and India, the slave labour of Cuba and Brazil and the African slave trade to supply those countries—called out all the ingenuity of the distinguished intellectuals who supported the Whig Administration. It was denied that, in the long run, slave labour would compete on advantageous terms, even in the tropics, against the superior energy of free labour, and it was predicted that slave labour would not long endure in Cuba and Brazil, especially since the activity of our cruisers upon the African coast enhanced the cost of fresh supplies of slaves to those countries. In any case, the existing discrimination in England in favour of colonial sugar would not compel the

It was a sound debating argument, and, after all, conscience-smitten Englishmen only had to wait some twenty years more for the time when they could wear cotton or smoke tobacco or consume sugar produced by labourers who were, nominally, free and even equal American or Brazilian or Cuban citizens. In this speech Macaulay made a political prophecy which in some part was fulfilled. He said that great fiscal changes must soon come, but would be carried out by the Tories. It was not, he added, the first time in the history of the Whigs "that they yielded the harvest to those who did not bear the heat of the day." Every hearer thought of Peel and Catholic Emancipation. In fact, the protectionist section of the Whigs was still so strong that free trade measures could not easily be carried by a Whig Government in opposition to that section combined with the Tory party. They could, on the other hand, be carried, as Catholic Emancipation had been, by a Tory Government leading—if, as on that occasion, its discipline proved strong enough—a large section of its own unwilling party, and supported by most of the Whigs and Liberals. If Protestantism could be defeated in that way, why not protection?

From these inconsistencies with regard to slave-grown sugar and other slave-grown produce, Liberal speakers easily argued that the Tories in their ostentatious dread of encouraging slavery in Cuba and Brazil were hypocritical, and that their real motive was to defend, in the first place, the vested interest of the West Indian planters, and, in the next, the protective system generally, since the argument against the sugar duties was also, in essence, an argument

against the Corn Laws. Whig speakers expressed sarcastic surprise that the Tories, who had long resisted the movement for the emancipation of slaves, should now appear as humanitarian excluders of slave-grown produce when, and only so long as, the free-grown produce was British West Indian sugar. It is, indeed, impossible to imagine that many of the Tories were really much influenced by the argument in question, but as an instrument of political war it served its purpose. Dr. Lushington and some other Liberals, veteran opponents of slavery, voted on the 20th May, 1841, with the Opposition, and thus caused the defeat of the Government.

The Conservatives had, indeed, a real argument based upon an imperial view which did not much appeal to the Liberals of that day, whose attention was rather concentrated upon immediate steps for relieving the pressure of existence in the case of the poorer classes in the United Kingdom. The Conservative argument was at a disadvantage. The benefits to which it pointed were more remote either in time or space than those offered by the Liberals ; they affected less directly and immediately the inhabitants of the United Kingdom, who had now, the mass of them, more influence in the conduct of political affairs than they had possessed before the Reform Act. Conservative speakers were also at a disadvantage in these debates because they had to defend in the case of sugar, as in that of corn and timber, a system inextricably involved with the profits of a limited and wealthy class, and one in which imperial preference had been pushed so far that it had become almost monopoly. In this debate of May, 1841, the argument was stated, in moderate words, by Sidney Herbert : "What," he asked,

"were the doctrines of Mr. Huskisson? Were they the doctrines of free trade on the one hand or of monopoly on the other? They were neither. They were the doctrines of common sense. They were the doctrines of competition, checked, limited, and regulated by protection." Upon these lines Sidney Herbert laid down the maxim "that the amount of protection should be the minimum required to give a fair encouragement to the home producer, and which shall at the same time admit foreign competition as a check upon the evils and abuses of a monopoly in his hands." This principle should extend to the Colonies, and he asked whether the Government did not, "in pursuit of a phantom advantage, shut out sources of intercourse liable to no caprice of other nations, liable to no interruption of friendship; whether they do not shut out our own Colonies and our own fellow-countrymen, in advancing whose prosperity we best advance the prosperity of the mother country and its inhabitants?"

Were we, he asked, to remember Brazil and to forget India? The protective and imperial argument drawn from the case of India played an effective part in this battle. In 1836 the duties upon East Indian sugar, previously higher, had been equalized with those upon sugar from the West Indies. Thus Indian growers in 1841 were enjoying the whole extent of the colonial preference, and, if the duties upon foreign sugar were lowered, they would be equally affected. It was contended that we were in honour bound to maintain the high preference in favour of India as some compensation for the destruction of the cotton manufacture in that country by the superior cheapness of machine-made

Lancashire goods. During the eighteenth century calicoes and muslins had been one of the chief exports from India to Europe, but the tables had been turned through the mechanical inventions which enabled Lancashire, itself protected in the home market, to flood all unprotected countries, and among them India itself, with cotton goods at low prices. The machines of Lancashire were equivalent to a great new force of cheap labour, against which even the cheapness of Indian labour, working on hand-looms, could not compete. It was a consummate triumph of brain power directing capital and machinery. The exports of British manufactured cottons and muslins to India had increased from 818,000 yards in 1814 to 42,800,000 in 1828 and 64,200,000 in 1837. And while the English Parliament strongly protected the home market against invasion by alien cotton goods, including those from India, no protective duties were imposed upon English manufactured cottons entering India. There was merely a low revenue duty of 3½ per cent. on British silks and cottons. The Whig Chancellor of the Exchequer, Mr. Labouchere, said in a speech on 12th February, 1841, that we had "utterly destroyed the manufactures of India by our manufactures," and that the district of Dacca, the Manchester of India, had dwindled into insignificance before the strides which British goods had made. Dr. Lushington, in the same debate, referring to the evidence taken on the subject by a Committee in 1832, showing the "destruction of the manufactures and decline of the produce of Dacca," said that no one could read this "without the strongest feelings of sympathy and pain." Sir Robert Peel said (18th May, 1841):

"Can I forget the accounts of Dacca, once a great and flourishing city, the seat of prosperous manufactures, containing a population of 150,000 inhabitants, now reduced to 20,000 or 30,000, with malaria and fever extending their ravages and threatening to turn it into a desert? . . . Have the people of that country, ruined by our manufactures and subject to heavy fiscal demands, to be met only by the produce of agricultural labour—have they no paramount claim on us?"

The purely hereditary hand-loom weavers of India, long the producers of lovely goods, could not be consoled by the assurances of northern economists, spinning abstract theories in remote studies, that they could turn their hands to producing something else for which their country was more specially fitted. But it was thought that to India, looked at as a whole, some compensation might be made if advantages were given to another class in producing sugar for the British market. Another speaker in these debates, Mr. Wynn, said:

"The manufactures of India have been extinguished by English manufactures. England is, therefore, bound to replace them by others. It is a just debt she owes to India, and it is incumbent on her to supply the native population with the means of paying for the commodities which she supplies to them. The present is therefore not the time to encourage foreign and slave-grown sugar to the detriment of this important nascent manufacture in India."

Three years later, in 1845, in a debate on the same subject, Mr. Hogg, who then chiefly represented Indian interests in the House of Commons, observed that India was then taking £6,000,000 of our manufactures, including 7,000,000 pieces of cotton yarn and 3,500,000 pieces of piece goods, and he said:

"Thirty years ago India was a great manufacturing country, clothing her own population, and exporting to England annually cottons and muslins to the value of £3,000,000 a year. The manufactures of England had displaced and supplanted those of India, even in the markets of India itself, and this not in the fair and natural course of trade, but aided by the maintenance of unequal duties, for while the manufactures of England were admitted into India at a duty of 3½ per cent., the duties in this country upon articles the produce of India varied from 10 to 30 per cent. Dacca and other manufacturing districts, within my own recollection rich and flourishing, have been reduced to a state of destitution unknown in this happy land."

Another speaker, Mr. Baillie, in 1846, said, with truth and justice :

"It is well known that, fostered and encouraged by protecting duties, raised to meet English natural advantages, the cotton manufactures of France and Germany have risen into great importance, and have become the source of great wealth and prosperity to those countries. But can any one doubt that, if protecting duties were withdrawn, France and Germany would soon be inundated with British goods, and that their own manufactures would be undersold and supplanted in their own markets? If any one doubts that, let him only refer to the history of the cotton manufactures of India. When first we arrived in that country we found the population of that vast empire wholly clothed in their own beautiful domestic manufactures; by the greater cheapness of our own we have succeeded in supplanting and destroying them. Hundreds and thousands of people were, by this means, thrown out of employment and reduced to misery and starvation. They had no one to fight their battle. They perished by famine and disease; great and flourishing cities, the seats of these manufactures, have become desolated and depopulated. The most ruthless conqueror of India has not inflicted greater misery or caused a greater destruction of human life than we have done by the introduction of our cotton manufactures into their country."

That the natives of India obtained, for a time, cotton goods probably of inferior quality but cheaper, while all the profits and wages of labour went to Manchester, was a poor compensation for this destruction, nor, supposing that the Lancashire goods were paid for by the export from India of some staple food of the Indian people, did that fact so much increase Indian welfare as satisfy the theories of the economists. But although the hereditary caste of weavers could not be saved, some compensation might be found, looking at the Indian population as a whole, in the extension of a special agricultural industry like the production of sugar upon terms of preferential admission into the London market. It is as though, at the present day, a preference should be given to rubber grown in India over rubber grown in servile conditions in the Congo or Peru, by way of some compensation for the countervailing excise duty now levied upon Indian-manufactured cottons in order to satisfy the ever-powerful electorate of Lancashire.

The arguments of the Opposition in the debates of 1841 were powerfully reinforced by a letter addressed by the Directors of the East India Company to the Government. They stated that the recent equalization of the duty upon East Indian sugar with that upon West Indian had given an impetus to production "which, if unchecked, will assuredly and without delay yield to the consumers of this country an ample supply, and enable India to take more of the manufactures of Great Britain in return. But if, in the early stage of the great measure of equalization from which so much benefit both to India and to England is justly anticipated, an alteration be made

in the duties on foreign sugar, with the view of bringing a large supply of it into competition in the home market with the sugars of the British possessions, the Court apprehend nothing less than a total defeat of the hopes and expectations under which they so long sought, and at length successfully accomplished, that act of justice for India."

With regard to the West Indian Colonies, the blend of desire to discourage slave-production and to maintain the welfare of these dominions which actuated many men was well expressed in a letter by Mr. Joseph Gurney, a member of the Society of Friends, who had recently visited these islands. He wrote :

"I feel it to be of immense importance to the welfare of our West Indian Colonies, and to the cause of humanity, that we should maintain inviolate the present prohibitory scale of duties upon foreign slave-grown sugar. Were these duties to be relaxed the inevitable consequence would be the ruin of the planters, the loss of daily wages to the liberated negroes, and the vast increase of the Cuban and Brazilian slave trade."

#### IV

Whigs and Liberals, in these debates, to sum up the controversy, urged the necessity of increasing revenue by admitting more sugar at lower duties ; the existing "distress" of the poorer classes in the United Kingdom ; the inadequate supply and high price of sugar ; the fact that "unearned increment" (to use a modern term) went to a small class of land-monopolizing planters ; the inconsistency of their opponents in accepting one kind of slave-grown produce and excluding another ; and they treated

the apprehensions of the ruin of the West Indies as being either imaginary or exaggerated, or as not weighing in the balance against cheapness of sugar in the home markets. Their victorious opponents stood on the ground of discouraging slave production and maintaining the old system of commercial preference within the Empire with a view to the balanced welfare of all its parts. If they had to admit the existing inadequacy of supply and highness of price, these sufferings, they asserted, would, if manfully met, be of transient duration. A little patience, and we should see far more sugar than could be consumed in England supplied at reasonable prices from the wide and fertile plains through which the Ganges flows. This trade would benefit not slave-owners in Cuba and Brazil, but the peasants of the Indian Empire. To the Whig argument that our national revenue would benefit by a reduction of the duty on foreign sugar they replied that the same effect would soon be produced by the duty upon the same quantity of sugar coming from India at the colonial rate.

If the duties on foreign sugar had not been so high as to be not merely protective but almost altogether exclusive, the Conservative position would have been stronger. The reduction of duty proposed by the Whig Government from 63s. to 36s., the duty upon West and East Indian sugar remaining at 24s., would, after all, have given a sufficient preference for practical purposes, while the imperial cause would have borne a far fairer guise for popular presentation. In the case of the sugar duties, as in that of the corn duties, the defence of too wide an area was attempted, and this, in the end, led to a

more complete destruction of the city defended. It would have been better for the reasonable cause of moderate protection and Empire preference if the Whigs had succeeded in carrying their Budget of 1841. There would then have been a comparatively modest, but considerable, preferential duty on imperial sugar and timber, and, instead of the sliding scale, a fixed import duty, probably of 8s. the quarter upon foreign corn, and of 5s. upon colonial corn. If the Conservatives had then come into power they would for long have had the assistance of Lord John Russell, and his friends, in defending, with occasional modifications, this offspring of the Whig genius against the assaults of Radicals of the Manchester school, who were never very numerous in Parliament; nor would these last have possessed so potent a means of appealing to the reason of the middle classes and the passions of the people. Sir Robert Peel, personally, would have had a happier Administration. He would not have had to act like a hero, and suffer like a martyr, in order to overthrow a system which he had pledged himself to defend without sincerely believing in it. He would not have had to carry through a change which broke his party in two, exposed him to the bitterest attacks, and finally led to his expulsion from power at the hands of those whom he had guided through many a successful battle. Greville, in his Journal (6 December, 1845), says that "Peel made an enormous error in coming into office on the principle of Corn-Law protection and the sliding scale, an error the more unpardonable because it was quite unnecessary." He ought not to have turned the Whigs out of office before

they had carried into law their idea of a fixed duty. But the leader of an army which has just been victorious is not always able to make it forego or defer the fruits of victory. Peel had defeated the Whigs on sugar, not on the corn question directly, and he probably could not resist the desire of his party to turn them out of office by a subsequent vote of want of confidence.

At the time, in the summer of 1841, Fortune seemed to be all in Peel's favour. He had led his party to victory in Parliament, and this was followed by a decisive victory in the country. The elections sent back to Parliament a clear majority of nearly a hundred men devoted to the support of the new Prime Minister, and pledged to maintain protection.

## CHAPTER IV

### PEEL'S FISCAL REFORMS 1842-1845

SIR ROBERT PEEL'S position at the opening of his Administration was of great apparent strength. Between Pitt's death and Disraeli's accession to power in 1874, no Minister, not even Palmerston, led a majority both so large and so well united as that which emerged triumphantly from the elections of 1841. Nor, since Pitt, had any Conservative Minister been so indisputably the first man on his own side in experience, and in that strategic and tactical ability as much necessary in political contests of a free nation as it is in wars and fields of battle. In March, 1842, Greville wrote in his Journal : "It is really remarkable to see the attitude Peel has taken in this Parliament, his complete mastery over both his friends and his foes. His own party, *nolentes aut volentes*, have surrendered at discretion; and he has got them as well disciplined and as obedient as the crew of a man-of-war." The situation required Peel's experience and ability at once, and to the full. There were difficult questions, with which this book is not concerned, in Irish, foreign, and Indian affairs ; there were also serious problems, with which it is concerned, in the fiscal, commercial, and social conditions.

There had been a succession of corn harvests below the average during the five years 1837 to 1841, and food prices had risen. There was also something of a check in manufacturing progress. British exports in 1840 showed a drop in value below those of 1839. Sir Robert Peel, in one of his first speeches, attributed the depression to over-expenditure of capital in 1837 and 1838 in building manufactoryes and urban houses for operatives, to monetary troubles in the United States, disturbances in Chinese trade, sudden introduction of machinery, diminishing demand for manual labour, and so forth. One natural result of the bad harvests, higher prices, and trade depression was the swifter spread and intensification of the movement directed against the existing Corn Law. National finance was also in bad condition. The gap between actual revenue and expenditure for the year ending April, 1842, was measured in figures at about £2,350,000; if the sources of revenue remained the same it was estimated that in April, 1843, the deficit would rise to £4,700,000. There was a Chinese war on hand, and the cost of the first Afghan War was not concluded. The deficit had steadily risen from £430,000 in 1838-39 to its present altitude.

Peel met the situation in 1842 with a bold, far-reaching financial policy which altogether eclipsed the timid expedients of the preceding Whig Administration. It was his great year. Lord Melbourne's Government had added 5 per cent. to all taxes, had raised temporary loans, and had finally proposed, in a timid and half-hearted way, a reduction of duties on foreign timber and tobacco, the abolition of the sliding scale, and the substitution of a fixed duty on

imported corn. Peel's scheme was of a much wider nature. He proposed to reintroduce the income tax, used during the great war but abandoned in 1814. In 1798 the income tax had first been imposed at a rate of 2s. in the pound, and except for a temporary reduction between 1802 and 1805 it remained at that level until the fall of Napoleon in 1814. The line of exemption was an income of £60, and incomes between £60 and £150 were taxed at an intermediate rate. Sir Robert now proposed that the tax should be at the rate of 7d. upon all incomes above £150, and he estimated the yield at £3,700,000. Ireland was to be exempt, but on the other hand the duty on Irish spirits was to be raised by 1s. to the level of that tax on the spirits of Scotland.\*

Further revenue was to be raised by the extension to coal exported in British ships of the duty of 4s. a ton already levied upon coal exported in foreign ships. All this new taxation would, according to Peel's estimate, after meeting the deficit, leave a surplus revenue of £1,800,000. How was this to be applied? It was to be applied, in Peel's words, in "making great improvements in the commercial tariff of England, and, in addition to these improvements, in abating the duties on some great articles of consumption." The customs tariff as it stood comprised some 1,200 articles subject to various rates of duty. The general policy now proposed was (1) to remove all absolutely prohibitory duties (except as to slave-grown sugar) and to relax all duties which approached to the prohibitory character, and (2) to

\* The existing duty on Irish spirits was in 1841 2s. 8d.; on Scottish, 8s. 8d. on English, 7s. 10d. The complete equalization took place between 1850 and 1860, together with the extension of income tax to Ireland. These steps added about £2,000,000 a year to the revenue drawn from the Irish.

reduce considerably the duties on raw materials for manufactures. In no case was the duty on raw materials to exceed 5 per cent.; in many it was to be of a merely nominal character for statistical purposes. Duties upon articles partly manufactured were to be much reduced, and in no case to exceed 12 per cent. Those upon articles wholly manufactured were in no case to exceed 20 per cent. Out of the 1,200 articles there were to be tariff reductions upon 750. The Prime Minister said:

"There are some very important articles on which we do not propose any reductions, partly from considerations of revenue exclusively; partly because there are negotiations pending with many States in respect to proposed commercial treaties." He added:

"I will not now enter into the question whether it will be, or not be, wise to make reductions of duties on imports without obtaining an assurance of corresponding relaxations from the countries benefited by our reductions of duty, but I must say that when we make such reductions on articles imported we ought to do our utmost to procure from foreign countries benefited thereby corresponding advantages for England. Nor can I deem it wise to diminish the hope of arranging these relaxations with foreign nations by rashly reducing the amount of duties on articles which must form the bases of negotiations."

This passage reveals the old idea of *do ut des* contending in Peel's mind with the new idea already preached by economists of "fighting hostile tariffs with free imports," that is, by opposing to them the increased economic strength which free imports, especially of food and raw materials, were supposed to give. Eventually Peel, his disciples, and his Liberal successors adopted the new doctrine, and the old one remained in abeyance in England until other nations

had, like the former England, grown so strong behind protective defences that they could challenge our supremacy. During the interval it was thought that our guns were so strong that they could penetrate the armour of all rivals, and that we needed none against their guns. England, like Lacedæmon of old, was unfortified, and relied on a powerful commercial offensive.

Peel said that he proposed not to reduce the duty on sugar supplied by non-British States because that would permit a competition between sugar grown by free labour and that produced by slaves, nor would he reduce the lower duty on British-Empire grown sugar because it partook of "the nature of a monopoly." The benefit of the reduction would therefore, he said, be reaped by the consumer, but would be a "bonus to the West Indian proprietor." Here he seemed to forget the East Indian competition, which formed part of his argument in the previous year.

With regard to the timber duties the Prime Minister announced a considerable change. The Whig Government, in their still-born Budget of 1841, had proposed to reduce the duty on foreign timber from 55s. to 50s., and to raise that on colonial timber from 10s. to 20s., thus diminishing the preference, and, as they hoped, increasing the revenue. In one sense Peel now outdid this proposal, but in another he departed from it. He decided to reduce the duty on foreign timber from 55s. to 25s. the load, and that on colonial timber from 10s. to 1s.\* Thus he doubled the Whig reduction of the duty on foreign timber, and instead of diminishing the colonial preference

\* This was on timber. It is not necessary to trouble the reader with corresponding alterations as to "deals," "laths," etc.

increased it, admitting colonial timber at a nominal duty, equivalent really to free import. This was a case in which, as Disraeli would have said, Peel caught the Whigs bathing and went off with their clothes. This policy of extending the inter-imperial preferential system ran through the whole reform of 1842. In the new rate list it was applied to a great number of articles to which it had not been applied before. As one critic (Mr. Baring) said :

"What had hitherto been the utmost extent to which the differential and protective system had been carried ? Some articles affecting the important interests of our Colonies had been largely protected, but the system of protection had not been extended to all small matters ; the Legislature had not laid down the principle that in every possible case it would establish heavy preferential duties between the produce of our Colonies and of other countries." But the Government, he said, in their new tariff scheme, had "laid down the principle that in every case and under all circumstances there should be differential duties" in favour of the Colonies. . . . "Protection upon many articles of colonial produce had been increased, and in many instances articles were protected which had never before received protection."

Peel's scheme in fact was based upon two principles : (1) a great reduction of protective duties generally, and (2) a great extension of the system of colonial (or inter-imperial) preference. Benefits were given to the British consumer and increased advantages to the colonial producer. This second part of the proposals was attacked by the Liberals. Baring said that it had been "the object of wise men, in latter times, to liberalize the tariff and reduce the

distinctive and differential duties by which it was deformed, but now it was proposed to impose a differential duty upon every article which could be found." Ought we not, he said, to look to the future? "The interests to be protected by the imposition of differential duties might be small in themselves, but those interests, when united, it would be as difficult to break as a bundle of sticks, and they would hereafter oppose a firm resistance to measures having for their object the benefit of the consumer." The free-traders in England foresaw that a well-established imperial and preferential system would prove a lion in their path, and to this thought was due the ill-concealed or even openly expressed desire of the most ardent among them, especially Bright and Cobden, that the Colonies should become independent States. It was certainly in order to fortify the old national and imperial system, and to oppose a new bulwark against complete free trade in corn and other things, that Peel and his colleagues extended in 1842 the differential tariff.

The Whigs during these debates often brought forward another argument, viz., that it was contrary to the interests of the Colonists that their productive energies should be artificially directed into certain paths, rather than follow the natural directions in which they could be employed to most advantage. This argument seemed to be more of a debating kind than the result of real feeling or belief. It had, indeed, some cogency under the older system, in which certain colonial products were favoured to the extent of virtual monopoly as against foreign products, but very little cogency as against the system

of 1842, where the differentiation was extended to almost all articles, but not, except in the case of sugar, made excessively high, regard being had to the greater cheapness of transport from Northern Europe as compared with that from any Colony, and the greater cheapness and quantity of European labour.

The whole of this subject is so intensely alive, at the present day, that the reader will, I am sure, forgive me if I make a few more quotations from the arguments used. Artistic composition may suffer in a book which abounds in quotations, but this disadvantage is outbalanced. Actual words spoken in a bygone discussion make a more vivid impression than any summary of a whole debate could do. One sees more clearly than through any abstractions what ideas were in the minds of men at one period or another, and the interest of political history lies in the study of the development of ideas. The reader is also in this way enabled to judge for himself, and is not compelled to see things merely through the mind of the writer.

The ex-Chancellor of the Whigs, Mr. Labouchere, put the moderate view of that party when he said (18 March) : "I have never been one of those who desire that no preference should be given to our colonial produce in our markets. I think I see many advantages in giving a moderate protection by a tax to many articles, the production of the Colonies, but the right hon. baronet's principle would extend to every article in the world in which we trade with our Colonies."

The Opposition finally rallied in support of a resolution brought forward on 13th May by Lord Howick,

who was a much more decided free-trader than most of his Whig colleagues. It ran :

"That in making a new arrangement of the customs duties it is not expedient to impose different rates of duty upon the same articles when imported from British possessions, in any case where no such difference now exists, and that in those cases in which such a difference already exists, it is not expedient that it should be increased."

"Of course," said Lord Howick, "I know that the principles which I am avowing are contrary to the received opinions on the relations between the Colonies and the mother country. It will be maintained, I know, that the true principle is that there should be reciprocal trade between the mother-country and the Colonies, in which each party should receive the produce of the other at lower rates of duty than those imposed on the produce of other countries."

Disagreeing with this view, and going beyond his own resolution, Lord Howick said, urging the principle which was so soon to become victorious :

"The true policy is to give the Colonies the freedom to buy wherever they can buy cheapest, and to sell where they can get the best price; that they shall have access to our markets but no superior advantages. Abstention from vexatious interference, so far from weakening, would strengthen the connection. The Colonies should manage their own affairs. If I do not go so far as to urge complete removal of existing colonial preference, it is because I desire to move slowly and not to damage existing interests."

In the same debate Mr. Gladstone, as President of the Board of Trade, defended the proposals of the Government. He said, using phrases which were full eighteenth-century, that the "Legislature of a great Empire which had Colonies subject to it which were

parts of the same body is establishing a system which will effect an approximation to entire freedom of intercourse between the different regions of the Empire." The Canadian statesman, Sir Wilfrid Laurier, has often in modern days used almost exactly the same words in advocating a preferential system. Free trade within the Empire was the ideal, a preferential system was the road of advance towards it. Mr. Gladstone continued by citing the case of Ireland, once separated from Great Britain not only by the sea but by commercial barriers, but since the Union enjoying the same preference against foreigners as that given to English manufacturers, and he referred also to the modern instance of the lately established German Zollverein. If, he said, we gave advantages to the Colonies, we also laid restrictions upon them. They were not permitted to receive any foreign commodity whatsoever unless (1) with a differential duty higher than that upon British goods, (2) unless transported either from the United Kingdom or from the country in which such goods were produced, (3) unless coming in a British ship or in one belonging to the country of production. The Canadian duty upon British goods imported had since the establishment of self-government been raised to 5 per cent., and even that, said Mr. Gladstone, was "a deviation from the old system, which permitted only a duty of  $2\frac{1}{2}$  per cent. ad valorem to be raised. That was the limit to which the Colonial legislation had formerly been confined, but by an enactment passed only a few months ago we had *with a great stretch of generosity* allowed it to be increased to 5 per cent."

It was contended that, as the Colonies were subject to restrictions under the Navigation Laws, and com-

elled to give tariff preference to British goods, they should have preference in British markets. This was a perilous argument in existing circumstances, and in view of the increased self-government recently granted to the Canadians. It was also used in these debates, with probably less of an "arrière pensée," by Lord Stanley. "We impose," he said, "on the Colonies restrictions that prevent them from purchasing in the cheapest markets; we prevent them from introducing goods from other countries on an equal footing with our own, and then the noble lord turns round and says"—that the colonial goods should have no preference over foreign in the British markets.

Lord Stanley said that the Colonials ought not to be allowed a perfectly free entrance, and so be placed in our markets on the same footing with our own people, because "they do not bear the same taxes and do not pay for military protection, but then, if they are subject to restrictions upon the one hand, they may justly claim extension of protection on the other." He maintained the preferential policy on the ground of keeping entire "that strong, that beneficial tie of mutual connection between the different parts of this great Empire, which constitutes its protection in war and its strength and glory in peace."

Sir Robert Peel, in the same debate, moving on the same line of the *quid pro quo*, defended the preference which he proposed to give to Indian tobacco, and applied the same principle to the rest of inter-imperial trade. He said :

" You have ruined the cotton manufactures of India by the importation of your own. You insist upon India

receiving it upon the most favourable terms to yourself. If India attempted to get a revenue by subjecting your cotton manufactures to a duty, you would take means to prevent it. But you contend that your cotton manufactures shall be introduced into India with great advantage as compared with the manufactures of other States, and that the produce of India shall be subject to all the duties to which the produce of foreign States is subject. Is there any justice in that arrangement?"

This principle, Peel added, held good with regard to the Colonies at large. He would deeply regret if the House "should propose either one or the other of these alternatives"—either to tell the Canadians that "there must be no distinction in favour of British manufactures; you are at liberty to introduce French goods and the manufactures of other countries on terms equally advantageous with those on which British articles are imported, or to take this other and still more impolitic course and to say, 'We insist upon your introducing British goods and upon depriving you of the discretion of carrying on intercourse with other countries in the cheapest manner—namely, by the ships of other countries; but with respect to the introduction (into England) of your goods, they must be introduced upon the same footing as French and other foreign articles.' To use such language as this and to adopt such a course would place us in that situation with our Colonies that nothing but physical force would enable us to maintain the connection. . . . The amendment of the noble lord cannot be entertained, for we are not yet prepared to create that alarm throughout India, the Canadas, and the whole of our colonial Empire, which such a proposition was calculated to do, for by adopting it you would be proclaiming the

principle that they should be treated in the same manner, and upon no more advantageous terms, than we should treat the foreigner. This was a unilateral course which, in justice to our own interests, as well as those of our Colonies, we cannot think of pursuing. . . . If such a proposition is to be maintained, there is an end at once to our colonial Empire, and to maintain it will only be to place a useless burden on ourselves. If you sanction this proposition, then you ought also to say, 'Let the Colonies assert their own independence and provide for their own maintenance.'

The old colonial idea stands out here very clearly. England is seen as the protecting Power, rewarded for cost of military and naval protection by special commercial privileges. The Colonies, deprived of some advantages of independence, such as free trade in the ships of any country, are rewarded by military protection and some special privileges in supplying the English market. But Peel's language, like Gladstone's, kept open the door to the possibility that the restrictions upon, and the advantages given to, the Colonies might simultaneously be abolished. Villiers after this said that the interest and true policy of the community was to get what they desired at the cheapest market. He would do away with all duties for protection as impolitic and unjust. A differential duty was a duty to support some particular interest in a Colony, as a protective duty was to support some monopoly in this country; the same arguments were required to support both, and the same party, namely the English community—were equally aggrieved by

both. The preference to the Colonies was justified by the restrictions imposed on their trade: "But who wanted these restrictions to be maintained? Not the Colonies, not the manufacturers here." Earlier in the year (23 March) Sir Robert Peel had thus expressed the full and true preferential doctrine.

"If you look properly at the relations between yourselves and the Colonies, you must consider your Colonies entitled to be put on a different footing from foreign countries, and that it is perfectly fair to give to articles of colonial production a preference in your markets over articles the produce of foreign countries. I am disposed to think even that you ought to carry the principle of assimilation, if you can, so far as to consider the Colonies an integral part of the Empire for all commercial purposes."

In other words, that there should be free trade *within* the Empire. Another assault upon the preferential system was made on June 6, 1842, when Mr. Roebuck brought in an amendment for equalizing the duties upon foreign and colonial timber. A reply of interest was made by Sir Howard Douglas, a veteran of the Peninsular War, a man of real experience, who had served as Governor of a North American Colony. No one saw more clearly the conflict between English Radicalism and Imperial Unionism. He said that Roebuck's proposal attacked "the very principle of the colonial system," and that he would reply, as he did, with figures, "in terms of manufactures consumed, shipping employed, emigration encouraged, commercial and maritime power, and all the other fruits of the colonial system." He added that this

system, "in compensation for the restrictions laid by the British Parliament on colonial trade," gave "in return preference and protection to colonial productions in the home market, by imposing higher duties upon analogous productions from foreign countries." The Colonies, he said, naturally supplied raw produce and materials. England sent out manufactured produce. Manufacturing consequently flourished in England, and this made her agriculture flourish, so that the whole thing hung together. The system was the more valuable on account of the rising tariffs in the United States, France, and elsewhere. "My conviction," said Douglas, "is that the colonial system is in danger from the progress which that specious but fraudulent philosophy of trade is making here, while other nations abjure it." Roebuck's amendment was defeated by 243 votes to 16, which showed how strongly the colonial system still dominated the minds of men.

## II

The Whigs opposed not only extension of the imperial preferences but also the restoration of income tax, cautiously at first, but afterwards strongly. Their motive was partly one of tactics, because the income tax was naturally disagreeable to the electorate, then of a dominantly middle-class character. It was partly also that the Whigs had been hopefully looking to the increasing pressure of expenditure and inadequate present sources of revenue as means for compelling resource to their own favourite scheme of a still greater reduction of protective duties to the level of revenue-

producing duties, especially in the case of corn, sugar, and timber. A new and copious source of direct revenue, capable of expansion up to the old war limit, might, it seemed, thwart this hope. Lord John Russell branded the tax as "inquisitorial," Lord Howick (afterwards the second Earl Grey) called it "objectionable and odious." Mr. Labouchere termed it "unjust," and said that an improved tariff such as the Whigs had proposed in 1841 would have made it unnecessary. Macaulay said that "inequality and injustice were essential parts of every income tax"; that it was "one of the most unjustifiable taxes which could be imposed by Parliament," and one "which nothing but the last extremity could vindicate." Income tax was denounced as being unjust as between earned and inherited incomes; it should be kept in reserve against a great war, and not used for ordinary purposes.

The Whigs were not quite consistent with their former declarations. In 1833 both Lord Althorp and Lord John Russell had said that, if (as then suggested) the house and window taxes were repealed, the *only alternative* would be a property, and income tax, and Lord Althorp had approved of the principle of income tax in very explicit words. Nor were their more Radical followers in 1842 in real agreement with them. Mr. Villiers, for instance, thought that the tax rested upon a sound foundation of principle, but made the objection that Peel did not propose it in substitution of existing indirect taxation, but only as a means of maintaining public credit and getting additional revenue, and he said that the revenue required could have been better obtained by large reduc-

tions on foreign timber and a reduction upon foreign sugar. Cobden did not oppose income tax as income tax, but (1) because the State ought to practise economy and (2) because "the country was paying taxes to classes and individuals, and if these were repealed there would be abundant revenue for the State." There were indications in the country, especially in Lancashire, that the income tax was rather a popular idea among the ill-represented part of the nation living on incomes below income tax level. In these debates it was left by the Liberals to a Tory member, Colonel Wood, to give utterance to the modern idea. He calculated, from figures based on the last year of the war income tax assessment and the subsequent increase of population, that out of the existing population in Great Britain of 18,500,000 persons, only 200,000 would be above the income tax level. This, he said, convinced him that an income tax is "by far the most honest and least oppressive tax to the great mass of our countrymen. It places the burden on those who ought to bear it, and shifts the burden from the lower classes." Villiers and Cobden voted for Lord Russell's resolution of 8th April, 1842, the drafting of which, for the thing was delicate, must have taken time and trouble. It ran:

"That, considering the various means of supplying the deficiency, without enhancing the price of the necessities of life or embarrassing trade, it is the opinion of this House that the renewal of a tax, inquisitorial in its character, unequal in its pressure, and which has hitherto been considered as the financial reserve of the nation in time of war, is not called for by public necessity, and is therefore not advisable."

The resolution received full support from the Whig-Liberal Party, but was defeated by a majority of 308 against 202, and the Income Tax Bill was subsequently passed.

### III

Another part of Peel's far-extending fiscal reform of 1842 was a modification of the existing sliding scale in the duties upon imported corn, involving a reduction of the prohibitory price. It is, however, convenient to deal at this point with his proposals as to the duties levied in the Colonies under the authority of Acts of the Imperial Parliament. This change was connected with the fateful amalgamation of the two chief Canadian Provinces in 1840 into a single Colony with a Legislature possessing greater powers of self-government than either Province had been entrusted with. Statesmen, it is true, by no means recognized for some years the far-reaching consequences of their deed, but the fact soon began to tell, and to affect imperial commercial policy.

Before the year 1842 the customs system in the British North American Colonies was confused and inconsistent. Duties of two kinds were levied under Acts of the Imperial Parliament. There were duties, mainly intended for purposes of colonial revenue, levied upon the import of certain British goods, mainly spirits. There were also duties imposed in pursuance of the "regulation of commerce" upon non-British goods. These had, by the legislation of 1822 and 1825, been reduced from a "prohibitory" to a "protective" character, but most foreign-produced goods were still subject

to an ad valorem duty of 15 per cent. A large exception to this rule had been made in the case of certain goods entering the Colonies from the United States. From 1825 to 1831 there had been a duty of 8s. per quarter upon American wheat entering Canada. This duty, with others, had been repealed by Parliament in 1831, and since that time the import of American corn stuffs, meat, and timber had been free.

Sir Robert Peel's Government, in 1842, embodied a new scheme in a Bill explained by Mr. Gladstone, the President of the Board of Trade. He said that the existing rates of duty upon foreign goods entering the American Colonies "could not be justified either with regard to the interest of the revenues of the Colonies, or the principles laid down by Parliament as to colonial legislation. . . .

"While we had a system of severe taxation and almost of prohibition in the Colonies of the West, the Crown, acting under the authority of Parliament, had applied to our Eastern possessions and to the mighty Empire of India completely different principles." In the Eastern possessions, he said, there was not a case in which any differential duty of more than 7 per cent. was levied for the purpose of protecting British manufactures.

The Government, therefore, now proposed to abolish all duties then leviable in the Colonies under imperial authority upon goods of British origin, leaving it free to the Colonial Legislatures to levy revenue duties upon such goods up to a point not exceeding 5 per cent.\* In the case of

\* The Colonial Legislatures had previously been allowed to levy 2½ per cent. duty on such British goods for revenue, as an addition to any imperial duties, which also were applied to colonial purposes.

articles not the produce of the United Kingdom the Government proposed that Parliament should, instead of imposing a general ad valorem duty upon their introduction into the Colonies, "select such of them as it might deem necessary to tax for the regulation of commerce, and leave free the importation of the rest into the Colonies *so far as respected the authority of the Imperial Parliament.*"

Thus Colonial Legislatures might pass measures, subject to disallowance from London, taxing not only, up to a certain low level, British-produced goods, but such foreign goods as were no longer taxed by imperial authority. One sees the gradual working of the recent concessions to the Canadians in the way of self-government undermining, but not yet wholly overthrowing, the old conception of regulation of trade by the Imperial Parliament. Mr. Gladstone, in these debates, made the double-edged remark that, "if the Canadians wished to remain under our colonial system, they must submit to the application of that system fairly and properly."

One section of this Bill, that relating to corn and flour entering Canada from the United States, and England from Canada, caused a good deal of discussion, because it touched to the quick home interests and controversies. The Government proposed to remove the existing exemption from duty on wheat, flour, and salt meat imported from the United States into Canada, and to enact a duty of 3s. per quarter upon wheat so imported. This was much less than the duty of 10s. per quarter levied by the Americans upon any wheat which might come to them from Canada.

It was the English rule, arising at first out of

judicial decisions on the Navigation Acts, that any produce manufactured in any country should be regarded as the produce of that country, no matter where the raw material came from. An Act of George IV, to remove all doubts, laid it down that "All manufactured goods shall be deemed to be the produce of the country in which they are manufactured." One result of this rule was that, although United States wheat could not be admitted into England if shipped direct from New York except at the tariff applicable to foreign goods, yet if it were sent, as it could after 1831 be sent, free, into Canada, and there manufactured into flour, it could obtain, when shipped from a Canadian port to England, the full preference accorded there to the colonial flour. Trade accordingly began to stream through this channel, and English protectionists sometimes said that foreign corn, debarred from the front door, was thus admitted "through a back door." These operations favoured the milling and transport industries of Canada, and the Canadian Legislature had for some time been pressing the British Government, through the dispatches of Governors, to increase the already high existing preference embracing both their own wheat and flour exports, which then amounted to a very small quantity, and the export of United States wheat milled into flour in Canada. As things stood it would have paid the Canadians to send all their home-grown wheat to England to obtain the English prices, and supply their own needs by importing American wheat at the lower American prices (since it came in free of duty), and it was alleged that they were acting in this sense. Mr. Gladstone justified this proposal on

the patriotic and imperial ground that "when this country sent forth Englishmen to North America as emigrants the Imperial Legislature ought not to allow those who emigrated to become citizens of the United States to put themselves in possession of a privilege" (the colonial preference) "intended only for British subjects, a privilege which the American settlers could not acquire by sending their produce through Canada to this country."

Mr. Labouchere, for the Whigs, challenged this part of the Bill. For what purpose, he asked, did Government desire to levy a duty upon American wheat imported into Canada? Was it for a Canadian purpose, or an English one? If the measure were for a Canadian purpose, then it ought to be left to the Canadian Legislature. "The Canadian people are the best judges of the benefit which they would gain from such a measure, and their own representatives should decide as to its advantages or disadvantages. . . . The Legislature of England has no right to meddle with a plan the effects of which are supposed exclusively to be confined to the Colonies."

In fact, the measure had an English object as well as a Canadian. It was intended to pacify the feelings of the agricultural supporters of the Government, who had begun to protest against the back-door introduction of foreign food-stuffs against which the front door of direct trade was almost closed by the Corn Law. They did not fear the competition of the little wheat then grown in Canada; they were alarmed by the boundless prospects opened out if American wheat invaded England in the guise of Canadian flour.

These proposals of the English Government by no

means met the wishes of the Canadians. Unless they obtained an *increased* preference in the English market as compensation they were by no means willing to see a check imposed upon the importation of American wheat, and upon the profitable business of milling it, and transporting it over their roads and waterways to be shipped as flour to England. Also the Canadians were becoming conscious of their new position as a self-governing Colony, and felt that the imposition of all customs duties, or, at least, of all duties upon goods coming overland, ought to be in their own hands. There were dispatches in this sense from Canada, and this part of the Bill was dropped by the Government at the end of the Session of 1842.

Between that Session and the Session of 1843 the Imperial Government arranged a compromise. The Canadians agreed to pass a measure in their own Legislature imposing a duty of 3s. a quarter upon American wheat crossing their frontier. On the other hand, the Imperial Government agreed to pass a measure admitting all wheat cleared from Canadian ports, whether grown in Canada or in the United States, at a fixed duty of 1s., instead of at the existing duty upon Canadian wheat varying from 1s. to 5s. according to English prices. There would thus be a permanent duty of 1s. upon Canadian-grown wheat, and one of 4s. per quarter upon wheat grown in the United States, levied, before it reached the English market, as to 3s. on the Canadian frontier and as to 1s. on the English quays. The profit upon so much of this American wheat as was milled in Canada would go to Canadian millers; that of its transport over Canadian roads and waterways,

and through Canadian ports, would go to Canadians ; and its sea transport would be secured to British shipping, since under the Navigation Acts that shipping had a monopoly of the trade between the Colonies and the United Kingdom. At the same time the Government thought that, while to some extent pacifying for the time being their not very far-sighted agricultural supporters, the measure, by allowing a continually increasing supply of foreign wheat to enter England at a fixed duty lower in every ordinary season than the duty resulting from the sliding scale, would, in the long run, enable them to meet with better reasons the ardent assaults of the free traders. Their policy appeared to hostile observers in the United States to be governed by sound motives, supposing that imperial and not cosmopolitan interests were to be the guide of British statesmen. The powerful newspaper called the *Cleveland Herald* said one morning in 1843 :

“The object of the British Ministry is evident on the face of the measure. It is to promote the emigration of British farmers to Canada, where as good wheat lands exist as in any part of the world ; to give protection to Canadian millers ; to provide employment for the British shipping connected with Canada, recently deprived, by their imperial tariff, of the lumber trade, and, in times of scarcity in bread-stuffs in England, to give their own subjects a pre-eminent advantage over foreigners in operating under a fixed duty, whilst others have the hazard of a sliding scale of duties.”

The Canadian Bill having been passed, the British Government, fulfilling their side of the bargain, brought in their Bill of 1843. Lord Stanley had it in charge. His main desire seemed to be to pacify the alarm of British agriculturists. He said that the

import of corn under this measure could not be appreciably large, and that "insignificant as this measure must be admitted to be when considered as a measure affecting British agriculturalists, yet the introduction of Canadian corn at 1s. duty, while not encouraging nor fostering any more than the present law the importation of wheat from the United States, will be, in its practical and moral results, a measure of inestimable value to Canada, and if to Canada, to the Empire at large. . . . This measure is an object for which Canada has long contended and anxiously hoped." It had been proposed, he said, by an Irish M.P. in 1842 to allow entrance of any corn grown in Colonies at 1s. per quarter. Government objected on the ground that this would also admit United States wheat *via* Canada; but then sent a dispatch to be laid before the Canadian Legislature inviting them to qualify themselves by imposing a duty on American wheat. This, said Lord Stanley, was "a tender of goodwill—a promise that the country should be treated as an integral part of the British Empire, and that it should send its produce home at a nominal rate of duty, provided it gave a certain security which it was necessary for your interests to demand. That tender of goodwill was received with unanimous approbation and gratitude. . . . The Bill passed unanimously through both branches of the Legislature of a Colony which not long before had been convulsed by internal dissensions and hostility against the mother country from one end of it to the other."

The Bill, said the Colonial Secretary, had been reserved and sent home for sanction. He would not

advise the Queen to sanction "until the House of Commons shall have enabled me to perform my part of the *contract*. I hold myself bound in personal honour, I hold the Government in good faith, as well as in good policy, pledged to omit no exertion to carry into effect the Convention we entered into with the Canadian Provinces, in the face of Parliament and of the country." Lord Stanley brought forward this measure not, he said, as a concession to free trade, but "as a great boon to one of our most important Colonies." Its object was "to give encouragement to the agriculture of Canada by admitting wheat, the produce of Canada, on more favourable terms than at present without varying in any material degree the effect of the existing law with regard to the produce of the United States." "If," he said, "there is one subject of legislation as to which Canada from end to end is unanimous, it is in urging that, in order to enable them to consume more largely the manufactures of this country, you will treat them as part of the parent State, and admit on easy terms the bona fide produce of their agriculture. That was, precisely, the idea. Under the new law the Canadian farmer would enjoy the same degree of protection, virtually, as the English farmer against foreign competition, and his disadvantage by reason of distance from the market and (if that counted for anything) the 1s. duty would be at least balanced by the smaller tax-burdens which he had to bear. In his fine peroration to this speech, Lord Stanley said :

" If you desire a source of supply which should meet all the conditions that a prudent agriculturalist would desire . . . I would direct you to that great area which, with a

climate not very dissimilar to your own, is cultivated by your own countrymen, which is capable of producing an increased supply, but which is not capable of furnishing that supply unless prices should rise to such an amount as to indicate a deficiency in the home produce. The supply in that case will be furnished you by a province with which it is important you should continue the most intimate relations; which is the main and chief hold upon that vast continent for British interest, feeling, and affection; which is the refuge of your surplus labourers, where they may still labour in their accustomed art, and furnish supplies to their accustomed market—where they may still look to England, not as a country from which they are banished, but as a country to which they cling and feel that they belong—a province which is capable of supplying your deficiencies, though not of supplanting your productions, which must consume your manufactures, and which has only this one desire, to possess additional means of paying for them."

It can be understood why a statesman who spoke like this in the spring of 1843, who as Colonial Secretary was primarily responsible for the agreement with the Canadian Government, should at the end of 1845 have refused to follow Sir Robert Peel in a step which, as one of its effects, threw over the agreement, and destroyed the hope of maintaining and extending the commercial unity of the British Empire. Sir Robert Peel himself advocated the measure of 1843 mainly on the political ground of securing the goodwill of the recently disturbed and rebellious Canadians. He thought "that political circumstances make it the wiser course to give to Canada greater facilities of commercial access, and my opinion is that the agriculturalists of England may give that access without any risk of injuring their own interests." Parliament, he said, had professed willingness to support relationship with

Canada, and were bound in honour to support it. "The Government, in introducing the measure, attached this important consideration to it, that it would be taken as an indication of cordial good feeling towards Canada. . . . Unless you carry the cordial co-operation of the people of Canada with you, the weakest point of the whole Empire will be Canada." The Canadians had entered into the arrangement and had passed their Act. Were they not the best judges of their own interests? "If not, why have you permitted them to legislate, to sit as a popular Assembly? . . . There is a disposition on your part," Peel said to the Opposition, "to undervalue the Colonial Legislatures. They are popular assemblies. While they exist they must be considered as best judges of colonial affairs."

This is one of the first speeches in Hansard which shows a sense of the future of the Colonies as practically independent, though closely allied States, whose relation to the mother country was no longer to be based upon a dependent status, but upon equal agreements. It must also be observed that Sir Robert Peel in 1845 threw overboard these two-year-old arrangements, and destroyed the Canadian preference.

The Whigs opposed the scheme so far as it related to the reimposition of a duty upon American wheat crossing the Canadian frontier. Their case was stated in moderate language by Mr. Labouchere and Lord Howick. The former speaker said that one reason for which the Government in 1831 had abolished most of the duties upon goods crossing the Canadian frontier from the United States was that on so long and open a line it was costly and difficult to maintain custom houses and prevent smuggling.

By law no tea could then be imported overland, but much of the tea consumed in Canada was smuggled from the States. He said also that, although not in favour of altogether abolishing colonial preference, he was fearful of raising up new protective interests, especially where he saw the "exaggerated use which is made by some parties of the principle of protection." He added :

" Believing that the Corn Laws cannot last long in this country without being subjected to a general revision and being regulated on more rational principles than those on which they are at present settled, I am greatly afraid of fostering and encouraging by any artificial means an agricultural interest in Canada which may prove a serious obstacle to any rational alteration of the Corn Laws in this country, and lend the weight of its influence to impede measures which it may be the duty of Parliament to adopt with reference to the general interests of the Empire."

The arrangement was in the nature of a bargain or contract. If it were found to work badly for Canada, could it, he asked, be altered? It might work badly. Canada was still a corn-importing country, and the duty on American wheat, taken with the inducement to Canadian producers to send their own wheat to England to earn English prices, must raise the price in Canada. Would not her growing town populations feel that they were being sacrificed to the farmers? Lord Howick raised the objection that the tax to be levied on the Canadian frontier upon American wheat in transit to England was a tax upon the English consumer, but that the revenue raised would go into Canadian revenue. "If we are to tax the bread of the people of this country the revenue ought to go into our own treasury. Is it not natural that those

who pay the tax should profit by it?" Canada was the "lowest-taxed country on the face of the earth." Why should the well-to-do Canadian farmer be benefited at the expense of the poor English labourer? Assuming that the existing Corn Laws were to continue, these last objections had no weight, because the imports from Canada at 1s., or from the United States at 4s., could not have raised the price of bread in England, any more than an increase in English wheat output would have raised it. But, said Lord Howick, it is evident that the Corn Laws cannot continue. What, he asked, when the Corn Laws were abolished, would be the situation and the feelings of the Canadians who had been induced by the present measure to sink capital in flour-mills or means of wheat transport? "As a colonial and political measure this is," said Lord Howick, "one of the deepest importance; it is one which will lay the foundation in Canada of a system from the incubus of which she has hitherto been free, that of protection."

Not all the Liberals took this view. Charles Buller had been the secretary to Lord Durham upon that mission to Canada which laid the foundations of the new constitution, and it was by him, or much with his aid, that Lord Durham's famous Report was drafted. He opposed, in 1842, the proposal limited to placing a duty upon American wheat imported into Canada. But the proposal, he said, was now brought forward in a shape which "deprived it of its restrictive character, and conferred a boon upon the people of Canada and of this country." He noticed that the Canadian Ministers had given a pledge that they would take off the 5 per cent. duties upon British manu-

factures in pursuance of the present understanding, or, at least, had held out a hope that they would materially reduce these duties. On the other hand, not all the agrarian Tories supported Peel upon the Canadian Corn Bill. They all disliked it, and a considerable body of the strongest corn protectionists voted against it on the second reading, which was carried by 209 to 109. The Whigs and Liberals mostly were absent, because, although they could hardly vote against the practically free admission of Canadian corn into England, they disapproved of the new duty upon American corn entering Canada. Among the Tories who voted against the Bill was Benjamin Disraeli. He was already in covert rebellion, pursuing that line which was soon to ensure him the command of the Tory party. In 1842 and 1843 the new rift in that party began which was to widen into the complete schism of 1846.\*

## IV

The large financial changes of 1842 were followed in 1843 and 1844 by Budgets of a less striking kind. The Government in 1844 took further steps in the direction of free trade. The preference upon British-grown coffee was reduced to 2d., the duty upon raw wool imports (then producing £100,000) was wholly

\* Lord Stanley, the Colonial Secretary, who negotiated this affair, was really in favour of entirely free admission of all colonial corn. He wrote to Croker on 20 June, 1847, that, in 1842, "If my wishes had prevailed we should then have had free admission of colonial corn, from which I never apprehended any danger, and which I believed to be a measure wise and sound in policy, and likely to afford us an increased supply, and a firmer ground for resisting the introduction of foreign corn. I was overruled, and yielded." (Croker Correspondence, vol. iii. p. 114.) Sixty years later, in 1902-3, when there was once more a duty on corn, short-lived indeed, another Colonial Secretary proposed the same policy of admitting colonial corn duty free.

abolished, which step destroyed the existing colonial preference enjoyed by Australia, and sugar grown in foreign countries by so-called "free labour," as for instance in Java, was admitted at 34s. per cwt., a duty only 10s. higher than that on West Indian and East Indian sugar. Lord John Russell met this last proposal with an amendment in favour of admitting all foreign sugar, whether grown by free labour or by slave labour, at a uniform rate of 34s., and the now stale arguments on this subject were repeated to weary audiences. Lord John did not, in the division, carry all his side with him. The stronger Liberals objected to leaving any colonial preference at all, and the Radicals were for allowing all sugar to enter duty free, or at the smallest possible revenue duty. On the other hand, the small concession made by the Government to free trade increased the apprehensions of those who held to established doctrines. Sir Howard Douglas, the ex-Colonial Governor, opposed his own leaders. He said :

"I have always advocated the colonial principle. I advocate the principle of protection throughout our colonial Empire, the principle which has created that Empire, and by which alone it can be kept together. . . . Much has been said of commercial unions,\* hostile tariffs, leagues, and rival combinations against the commerce, manufactures, and power of this country. Sir, in the vastness and unbounded resources of our colonial Empire, we possess a league which may defy all rivalry, and defeat all combination and hostility, provided we adhere firmly to the great principles by which this colonial Empire has been formed, and by which only it can be kept together."

Sir Robert Peel's words in this debate were of a

\* This reference was to the new North-German Zollverein.

different tendency. He gave technical reasons, connected with current treaties, to explain why the Government were, for a short time, postponing "any very extensive measure in favour of the sugar duties." The allied protectionist interests in the House of Commons were irritated and nervous. Secretly moved, probably, by Disraeli, Mr. Miles, the rather capable Tory member for Bristol, defeated the Government on an amendment so cunningly drafted as to effect a combination between some of the disaffected Tories and the Liberals. The Prime Minister, three days later, compelled a reversal of this vote by a threat of resignation. The matter at issue, he said, was a small one, but just for this reason, "the concurrence between our political opponents and our political friends has a bearing on our position as the Executive Government of this Empire." He had reason, he said, to believe that "the vote was a preconcerted arrangement between some of those who oppose and some of those who support us," and "if acquiesced in it would be an encouragement to similar combinations."

## V

In the Budget of 1845 Sir Robert Peel proceeded upon the lines of 1842. The country was rapidly advancing in prosperity, the tide of railway construction was at the full; there was plenty of home occupation for capital and labour, and during the last three years harvests had been good. This prosperity made itself felt in the national revenue. The revenue from customs in the year 1844-45 exceeded by £1,305,000 that of the preceding year,

notwithstanding the total remission of the duty on wool. The yield of the income tax had outrun the most sanguine expectations of the Treasury. In the financial year 1844-45 it had produced £5,190,000. The net surplus revenue at the end of that year amounted to over £5,000,000. The surplus estimated for the coming financial year 1845-46 was one of £3,409,000. The Prime Minister announced that the surplus was to be applied:

- (1) In reducing the duty on colonial and East Indian sugar from 24s. to 14s., and that on foreign free-labour sugar from 34s. to 23s. The slave-grown sugar of Cuba and Brazil was left under the excluding duty.
- (2) In abolishing all existing export duties.
- (3) In abolishing duties upon 430 out of the existing 813 articles of import included in the then standing tariff, being such as produced only a small amount of revenue, and for the most part raw materials of manufacture.
- (4) In abolishing the duty on raw cotton wool, which in the year 1844-45 had produced £680,000.
- (5) In abolishing the duty on auctions, then producing £300,000.
- (6) In abolishing the excise duty on glass, then producing £640,000.

The income tax had been imposed in 1842 for a term of three years. Peel now proposed that it should be continued for a further limited period because, he said, he had "the most confident persuasion that the reduction in the prices of articles of great importance which has followed and arisen out of the repeal of taxation will be, if not a

complete, at least a material compensation for the burden of the income tax." He also said:

"I have that reliance upon the elasticity of the resources of the Empire that I do expect, before the termination of three years, that this repeal of taxes will have produced beneficial effects, and that we shall find an increase of revenue probably enabling us to dispense with the continuance of the income tax. But let the House remember that the principle on which we have gone, and gone advisedly, is the absolute repeal of taxation in many cases; we do not diminish a tax, on glass for instance, we do not lower the duty on auctions, on cotton wool, or on articles of smaller importation, but we propose the absolute repeal, expecting from the increased consumption of other taxed articles an equivalent improvement in the revenue. We hope that the direct and instant effect will be increased consumption of many articles now subject to duty, invigorating the industry and extending the enterprise of the country through other channels, and supplying the void we cannot hope to fill up by direct taxation."

The Liberals renewed their attacks upon the exclusion of sugar produced by slaves in Cuba and Brazil from the reduction in duties. Peel opposed a defence which showed him more than half converted. He said (17 March, 1845):

"I have ever professed my belief that the system of prohibition and extreme protection is wrong. I do not defend the protection given to the West Indian interest upon the principle of commercial policy; but seeing the long period for which it has endured, the amount of capital invested in the cultivation of the soil in the West Indies, the peculiar position of these Colonies with respect to labour, seeing also our obligation to maintain our colonial Empire, I have the strongest impression that the sudden and hasty removal of protection would be an injury not only to the West Indies but to the whole of this great Empire."

During the financial debates of 1845 Mr. Hutt, afterwards Sir William Hutt, presented a petition from Australian landowners, supported by Australian Legislative Councils and by dispatches from Governors, asking that Australian corn might be admitted at the nominal duty of 1s. a quarter to which Canadian corn was now subject, instead of at the existing duty of 5s. levied upon non-Canadian, but colonial, wheat. Australia, in 1844, had sent 4,000 quarters to England. Thus the trade was in being, though as yet unimportant, and it was believed that if capital and labour could be attracted to Australia it was one of large possibilities. Mr. Hutt, who, with Sir H. Douglas, was one of the very few members of that Parliament who knew colonial affairs and feelings at first hand, said :

"Corn and wool are the only productions of Australia. Up to last year Australian wool had a protection in the British market of 1d. in the lb. as against foreign wool. You took that protection off last year in accordance with the principles of sound policy and scientific legislation. The Australians lost their monopoly. They never complained of it. But they do complain that whatever turn you take they are always sacrificed to your policy. You remove the duty from European wool, and tell the Australian farmer that the proceeding is required by the principle of free trade, and then you insist on charging a duty on his corn, and justify your conduct on the principle of protection and monopoly. You treat the Colonies with this kind of careless rigour and caprice—taking care, however, that their interests shall be always subservient to your own—and then you expect to preserve their respect, attachment, and goodwill!"

Mr. Hutt reminded the House that in 1843 the Canadians were allowed to import their wheat into

England at a nominal duty, and that in 1844 Parliament had refused to extend the same privilege to Australia. If, he said, the same advantage were given to Australian corn, this would encourage emigration to Australia, and prospering emigrants would soon increase the demand there for British manufactures. As things stood, Australia now had no advantage in this respect over the United States, and the tide of emigration would set that way. "Will you," he asked, "persevere in a course of legislation which will accelerate the progress of the United States and retard that of the British Empire?" "When," he continued, and the question long remained without an answer, "when shall we begin to make a rational use of the mighty means which Providence has placed within our reach? When shall we have a Colonial Minister worthy of the name, a statesman sagacious and capable enough to turn the direction of our overflowing capital and redundant labour towards the dependencies of the British Empire, and to raise up, as he may raise up in rapid progression, new Anglo-Saxon nations in Southern Africa, Australia, and New Zealand?"

These debates, from 1842 to 1845, upon inter-Imperial tariff preference are of living interest. Sir Robert Peel said (23 March, 1842), "We ought to consider our Colonies as an integral part of this country." On the other side the Liberals had the embryo conception that the United Kingdom and these Colonies were distinct nations. They thought that England should follow primarily her own national interest, and, as a logical consequence, were led to hold that each Colony should be equally free.

They opposed, therefore, entangling bonds which might shackle independent movements, and were prepared even, if the choice had to be made, to sacrifice imperial union to freedom. The Liberal view was intimately connected with the economic theory of Adam Smith, viz., that the action of each individual pursuing his own personal interest worked out to the benefit of the whole.

In the idea-conflicts between Imperial Union and State Freedom, or Protection and Free Trade, is manifest that eternal dividing-line which separates Catholic and Protestant, Socialist (or Imperialist) and Liberal, Classic and Romantic in Art. It is a divergence based upon deep foundations in nature.\* Reasoned control by the State is evidently order in trade, as marriage is order in love, and a real Church is order in religion. All these controls have their abuses, or misuses, but they restrict the evils of opposite anarchies in trade, love, and religion. Centripetal and centrifugal forces are certainly necessary agents in the moral and physical universe. Alternately prevailing, but always coexisting, they drive the world on its course as the expansion and contraction of steam drives forward an ocean liner.

\* It may be fanciful to suggest that the masculine *element* seeks the feminine *principle* of Order, and that the feminine element seeks the masculine principle of Liberty, and that at one period the masculine element is dominant in the nature of men, while at another (as in periods of Liberalism like the Reformation or French Revolution times) the feminine element prevails. But it is worth considering.

## CHAPTER V

### THE BANK ACT, 1844

THERE were curious and interesting debates in the year 1844 upon the Bank of England Charter Act. In early English history the legal medium or standard of value appears to have been silver ; \* afterwards it became mixed silver and gold. In 1774 it was enacted that no legal contract should be discharged in silver for any sum of more than £25.† Thus gold became substantially the standard of value, and so it continued to be until 1797, when, to meet war exigencies of the time, a measure was passed allowing the Bank of England to issue notes not convertible into gold at the will of the holder.

To this change of law was due, together with other effects of war, the great rise of prices in corn and other goods in the years which followed. The issue of excessive inconvertible paper depreciated the currency and, consequently, appreciated the price of the necessaries of life. The Bullion Committee of 1810 reported in this sense and advised the resumption of cash payments, that is, that neither the Bank of England nor other banks should be allowed to issue notes not convertible into gold at the will of the holder. At the time this recommendation was rejected by Government and Parliament, but the

\* A pound originally meant a pound's weight of silver.

† The complete disestablishment of silver as legal tender was effected in 1816.

reform was carried out by "Peel's Act" of 1819. That Act, however, imposed no limit upon the amount of notes which might be issued by the Bank of England, which had a legal monopoly of note issue sixty-five miles round London, or by the country banks. There was no restriction except that imposed by the prudence of each banker in view of the fact that gold coin could at any time be claimed in respect of all his notes outstanding. Adam Smith, in his chapter upon "Metallic and Paper Money," had contended that this system worked perfectly well, and was advantageous to the public. He said that "a paper money consisting in bank notes, issued by people of undoubted credit, payable upon demand without any condition, and, in fact, always readily paid as soon as presented, is in every respect equal to gold and silver money, since gold and silver money can at any time be had for it. Whatever is either bought or sold for such paper must necessarily be bought or sold as cheap as it could have been for gold and silver."

In his opinion the free issue of convertible paper money did not raise prices, and this he proved from the case of Scotland, where almost the whole circulation of his time consisted in paper. He believed that the "whole paper money of every kind which can easily circulate in any country never can exceed the value of the gold and silver of which it supplies the place, or which would circulate there if there was no paper money." The natural corrective of excess in paper money would be its return to the banks, when it exceeded the trade requirements of the country or the district, to be exchanged for gold or silver. The circulation of

paper adequate to, and not in excess of, the requirements of trade made it easy to send any superfluous balance of gold abroad when necessary for purposes of foreign trade. At the same time, so long as notes were convertible there was a natural guarantee for the retention of sufficient gold.

Peel's Act of 1819 returned to Adam Smith, from whose doctrine Pitt's Act of 1797 had departed.\* Pitt said in the debates of 1797 :

" As so much has been said on the matter of a circulating medium, I think it necessary to notice that I do not take it to be of that empirical kind which has been generally described. It appears to me to consist of anything that generally answers the great purposes of trade and commerce, whether in specie, paper, or any other terms that may be used."

Pitt's inconvertible paper led, all the same, to the result that in 1810 the nominally 21s. guinea was being sold for a £1 note plus seven shillings, and the price of corn was terrific. After the restoration of convertibility in 1819 prices fell to a moderate level, and notwithstanding the Corn Law of 1815, the price of wheat never, after 1819, reached the 80s. level which Tory squires hoped thereby to secure. By consenting to the Act of 1819 they had destroyed the effects of the Act of 1815.

The great increase in the relative value of currency resulting from Peel's Act of 1819 was good for the money-lenders, whose interest on capital, lent when rates of interest were high, now had more power in the purchase of goods, and it was bad for the manufacturing and agricultural classes, who had borrowed before 1819 at the high rates of a depreciated

\* Between 1793 and 1795, 9½ millions of gold were sent abroad.

currency and now, while the prices of their produce fell, had to pay interest at the same rates in appreciated money. Pitt's Act had given advantage to the debtor or borrowing class ; Peel's Act gave it to the creditor or lending class, and much obscure moaning there was, in consequence, at the time, and long after, until loans and other charges on land had more or less adapted themselves to the new levels.

## II

Pitt's Act of 1797 deviated from the principles of Adam Smith in that it substituted inconvertible note issue for notes subject to the check of convertibility into gold. Peel's Act of 1819, by restoring convertibility, returned to the principles of Adam Smith. Peel's Act of 1844 deviated from them in the opposite direction by setting an artificial instead of a natural limitation upon the issue of bank notes. The credit of Peel's currency policy of 1844 was due to the persevering energy of one very remarkable man, just as Peel's Corn Law policy of 1846 was mainly due (Peel himself admitted this) to the persevering energy of another.

Samuel Jones Loyd, afterwards Lord Overstone, was son of a Welsh Nonconformist minister who, forsaking his spiritual vocation, had become partner in a bank. Samuel was sent to Eton and Cambridge, and followed his father's financial career. He died a Peer of England and worth over £2,000,000, at an advanced age, in 1883. His pamphlets and his evidence before Select Committees in 1832, 1840, and 1857 prove him a man of clear, masculine, and powerful intellect, and of

the utmost tenacity in promoting a definite policy until it became victorious. Disraeli, who knew better than perhaps any one the inner mysteries of political and social London of the forties, attributed to Loyd a dominant influence over the mind of Peel. Loyd had the priceless gift of embodying his ideas in lucid, crisp, and, above all, penetrating phrases which he repeated again and again until they sank into the public mind like an incessant advertisement. The leading phrase was that "a paper circulation should vary in amount exactly as the circulation would have varied had it been metallic." Adapted to practice, it ran that the Bank Directors should "keep the securities upon which they issue paper at a fixed and uniform amount, and allow that portion which they advance upon treasure to increase or diminish as treasure might flow into or flow out of their coffers." Or, in other words, "the amount of paper issued shall be represented by an amount of securities which never varies, and an amount of specie which is left to fluctuate with the fluctuations of the amount of notes out."

The practical corollary was that the power of issue by country banks should be suppressed ; that there should be only one bank of issue, the Bank of England, that in that establishment the banking and issue departments should be divided, and that the power of issue of paper by that Bank should be limited in the manner indicated. The consequence, it was said, would be that when high prices in England caused a drain of gold from England to foreign countries, the whole circulation, specie and paper, would automatically and at once con-

tract ; this would lower prices in England ; imports would diminish and exports would increase, foreign exchanges would turn in our favour, and the drain would at an early stage be arrested. Therefore there would never again be an alarming depletion of the gold reserve upon which credit rested, as there had sometimes been, especially in the years 1825 and 1839.\* Under the existing system, it was said, the Bank of England did not sufficiently, or sufficiently soon, contract its paper circulation when there was a drain of gold abroad, and since the Directors were not pure bankers, but mainly men connected with commerce, they were under a bias to expand rather than contract credit. The country banks of issue were, it was said, still worse in this respect ; they took no notice of the adverse foreign exchanges until the drain had gone far. In times of high prices and roaring trade the country bankers, being provincials, and in sympathy and touch with the leaders of surrounding industry, found it difficult to restrict issue of paper when every one was demanding it. But at those very times, in consequence of the high prices, gold was

\* The following figures indicate some variations in the proportion of bullion and total note issue, Bank of England and country banks :

Date.	Bullion in Bank. £	Total Note Circulation. £
1 March, 1834.....	9,104,000	29,178,000
1 March, 1838.....	10,471,000	29,913,000
1 September, 1839 .....	2,684,000	28,908,000
1 June, 1843 .....	11,566,000	26,332,000

The great depletion of 1839 was due to a bad harvest, unusual importation of foreign wheat, and other causes.

In 1825 the drain on the Bank of England was so great that the metal there was reduced to £600,000 in gold and £420,000 in silver. The Government had to apply to the Rothschild of that day to get the silver changed into gold, on which transaction he is said to have made £100,000. The panic was due to a fit of over-speculation in the New South American Republican propositions.

stealthily flowing abroad, and, from want of correspondence with actuality, the foundations of credit were being undermined. Hence there was always danger of too great a divergence between the bank paper in circulation and the gold reserve, of sudden panics and rushes for gold, and of the ruin of banks to the infinite damage of innocent depositors.

The Bank of England Directors had, some fifteen years before 1844, adopted as their rule a principle resembling that advocated by Loyd and his allies. The rule was that their note circulation should vary with reference to a certain amount of securities and available funds plus the bullion and coin held by the Bank. Loyd deemed this a praiseworthy step in the direction of a rigid rule, but argued that it was invalidated in practice by the fact that the "available funds" included the deposits of the Bank, the funds arising from its strictly banking operations. The amount of those deposits fluctuated so much that, as Loyd wrote in his pamphlet of 1840, "No fixed relation exists between the amount of bullion and the amount of (note) circulation." This consideration led to the view that the banking business of the Bank of England ought to be rigidly separated from its functions of issue. "How," wrote Loyd in the same pamphlet, "how is it possible that the proper relation between the paper issues and the bullion can be steadily maintained while the Bank is liable to be compelled to issue upon her deposit account, upon the discount of commercial bills, and for the supply of the public wants of Government?" The consequence, he said, of uniting these strictly

banking operations with the very different power of regulating the amount of the currency, must embarrass the Bank of England, in whom these conflicting functions were united, and ultimately lead to abuse of the power entrusted to her. Loyd insisted upon this point with picturesque force. "The public," he wrote, "looking to her as a great banking company, and estimating the duties incumbent upon her by reference to her character in that respect, hold her responsible for relieving commercial distress and upholding public credit. She finds that it is extremely difficult, as well as unpopular, to refuse the demands which are made upon her; and, therefore, easily convinces herself that it is impossible. She yields to the force of these demands, and not distinguishing between an advance of capital to merchants and an additional supply of currency to the general mass of circulating medium, she applies to the satisfaction of them, not her banking resources only, but also her power over the currency."

The automatic contraction view was powerfully urged by Loyd, assisted by George Norman, Torrens and others, before Select Committees and in pamphlets. It is delightful to the lay mind to have a seemingly intelligible account of the dark mysteries of Lombard Street, and the argument looked perfectly clear. The result guaranteed by Loyd, viz., the avoidance of panics and rushes for gold, and prevention of the collapse of banks, appealed to the heart of the timid depositor. There were advocates of the existing system, such as Tooke, the author of the "History of Prices," but they were not effective writers, nor men who could, like

Loyd, give to the Obscure the semblance of the Obvious. Their writings were ill-arranged, and overloaded with detail. Their arguments looked dim in face of Loyd's clear-cut and simple doctrine. Vainly they tried to prove that foreign exchanges could not be regulated through the medium of the currency, but depended upon wider causes.

Loyd's idea, we have seen, was that note circulation should, in accordance with a rigid rule, be made to vary with gold, decreasing when foreign exchanges began to take gold out of the country, increasing when they began to bring gold back to it. Prices, like boats by the shore, would gently rise and fall in accordance with the swing of the tide of currency. It was to be a beautiful, economic, self-acting machine. Gold, like a *primum mobile*, would govern circulation, circulation would govern prices, prices would control foreign trade. As imports increased gold would depart; as gold departed note circulation would contract; as circulation contracted prices would fall; as prices fell imports would diminish and exports increase; as this happened gold would return; as gold returned circulation would increase, prices would rise, and so *da capo*. The free flow of goods from country to country was assumed for the purpose of this theory, and certain human possibilities were eliminated. The practical moral to which the whole theory led was that the power of the Bank of England to extend circulation must be rigidly limited, and that of the country banks must be destroyed.

The opposing idea, usually ill-expressed by pamphleteers unequal to collision with the mighty Loyd,

was that note circulation should vary not exactly in accordance with the supply of gold, though this was to be the ultimate check, but with the needs of trade; that this was best secured by avoiding rigid limitations and trusting, as before, to the free discretion of each banker, knowing his own district and controlled by his sense of convertibility. Currency, or circulation, was to be regulated by the demands of trade in the home markets, not by the amount of bullion lying at any moment in the vaults of the Bank of England. It was not for the good of home trade that circulation should rise and fall exactly as that treasure might be swelled or drained by the necessities for rectifying the balances of international trade. A witness before a Select Committee said :

“ I wish the circulation of the Bank of England, like that of the country banks, to be regulated by the demands of trade. . . . I consider that when the circulation is issued only in compliance with the demands of trade, though it will fluctuate in amount as the quantity of commodities fluctuates, or as circumstances may cause an advance of prices, yet it will not in that case fluctuate as a standard of value.”

Sir Robert Peel was completely converted to Loyd's doctrine, and embodied it, so far as it could then be pushed, in the Bank Charter Act of 1844. The effect of that Act was as follows. The Bank of England was divided into two distinct departments, one of issue, the other of ordinary banking. The issue department was to control the whole bullion of the Bank, and their issue of bank-notes was “to take place on two foundations,” the first a definite and permanently fixed amount of securities, and after

that exclusively upon the varying amount of bullion. The securities, mainly debt due from the Government, were to amount to £14,000,000, and the rest of the note issue was to correspond with the value of the bullion at any time in hand, increasing as that rose, decreasing as it fell. At that date the total value of the bullion at the Bank was about £12,000,000, so that the initial Bank of England note circulation might be about £26,000,000.

As to private banks, the measure went as far in the direction of the desired extinction of their power of note issue as was then practicable. No banks in England and Wales coming into existence after the date of the Act were to have this power, and banks already existing were not to exceed in the future their ascertained note circulation of a fixed month in 1844. No English or Welsh bank consisting in 1844 of six, or less, partners (as most of them in consequence of the old law then did) was to have the power of issue if, at any time, their number of partners were increased. If any bank in the United Kingdom having the power of issue should discontinue it, by agreement with the Bank of England or otherwise, the bank should not have power to resume it. Thus the whole Act was skilfully directed, in England and Wales, towards the gradual extinction of the power of note issue by banks other than the Bank of England. Obviously, nothing saved this power in 1844 from immediate statutory extinction except the fear of alienating living country bankers with vested interests.

The measure passed without difficulty through a Parliament where few men understood it, but it was disliked by those whom it most nearly affected. The

country bankers strongly opposed the change; those of London seem to have been divided in opinion, and were, perhaps, rather against than for it. The Barings, a financial-political family, were critical and, on the whole, adverse. One certainly perceives in these discussions a subterranean but violent collision of speechless interests, something like a powerful attack of organized intellect upon unorganized natives of the ground in dispute. A cry of distress was heard, now and then, from a country banker, or landowner, or manufacturer. Peel, in introducing his measure (6th May, 1844), did not attempt to conceal its immense importance and far-reaching consequences. He said:

"There is no contract, public or private, no engagement, national or individual, which is unaffected by it. The enterprises of commerce, the profits of trade, the arrangements made in all domestic relations of society, the wages of labour, pecuniary transactions of the highest amount and the lowest, the payment of the National Debt, the provision for the national expenditure, the command which the coin of the smallest denomination has over the necessaries of life, are all affected by the decision to which we may come on this great question."

If all this were true, as perhaps it was, questions of tariff, even of the Corn Law, in the discussion of which such countless hours were spent, paled before this question. Yet the discussions upon it in the House of Commons were very short, and not a third part of the members of the House of Commons voted upon the second reading of the Bill. The question was difficult, not appetizing, and understood by few. The free-traders were not inclined to say much when, contrary to their general

creed, they were supporting a measure tending towards monopoly and artificial restriction. Some of the Conservatives placed unquestioning confidence in their leader, regarded as an expert financier; others, who now questioned all his actions and regarded him as a potential traitor, suspiciously but silently stood aloof.

The slight opposition was led by two free-traders, Hawes and Charles Buller, but none of the leaders and few of the members of that party accompanied them in their resistance. These speakers laid stress upon the fact that in the crises of 1825, 1837, and 1839 it was not chiefly banks of issue that had collapsed. On the contrary, especially in Scotland, these had, on the whole, stood firm. They argued that if you expel Nature by the door she returns by the window. Credit by no means entirely consisted in that most convenient and public form of bank-notes convertible at will into gold. There were bank cash credits, and there were bills of exchange. The restrictions on issue would cause small bills of exchange to take the place of the country bank-notes, and "thus we shall only exchange the present for a less secure form of paper currency." The issuers of credit would be a more numerous and less responsible body than the present issuers. What, Charles Buller asked the House of Commons, did they expect to get by substituting one form of credit for another? "Of all forms of credit bank-notes are the safest. In bills of exchange men are more likely to be deceived as to the solvency of the parties." The plan, he added, was not the plan of the Government, but that of Messrs. Loyd and Norman.

Sir Robert Peel said, in these debates, that "under a system of unlimited competition, although it be controlled by convertibility into coin, there is not an adequate security against the excessive issue of promissory notes," and he added, using the consecrated phrase of Loyd: "The system which provides a constant supply of paper equal in value to coin, and so varying in amount as to insure at all times immediate convertibility into coin, together with perfect confidence in the solvency of the issuers of paper, is the system which ought to be preferred." Peel's opponents in these debates challenged the assertion that the guarantee afforded by natural prudence of bankers was inadequate. History showed, they maintained, that a *convertible* paper currency had no effect in raising prices. "When there have been great variations in the circulation there have been no corresponding variations in the prices." They held that a natural system, subject to the safeguard of convertibility under the Act of 1819, was better for trade than would be a monopoly of the right of issue, and an artificial limitation imposed upon the exercise of that right. One of their few advocates in the House of Commons (Mr. Hawes) said:

"It is clear that it is not to the controlling power of a bank of issue, or to any other artificial restriction, that we must look for security against commercial convulsions, but to the progressive wisdom of the commercial world, gathered, as it must be, from its own eventful experience. It is to this, and to this only, that we can look for commercial safety in a country possessing the spirit of enterprise, the energy, and the widely extended commerce of England."

This was, in fact, the general free trade argument—

reliance upon Nature as against Art. Loyd and his allies were free-traders. Loyd had openly joined the Anti-Corn-Law League, and his accession had made a great impression, and had been much advertised. Peel was virtually a free-trader, and the Act of 1844 was supported by the free trade party as a whole. It was singular that free-traders should initiate and support, in 1844, a measure of artificial restriction and monopoly. The Radicals, however, had a latent idea that the contraction of currency would lower the rents of their natural foes, the landowners, and make it harder for them to pay the interest on mortgages. One free-trader, Muntz, said that, if the Bill became law, the prices of manufactured produce would fall, and it would be impossible to maintain the Corn Laws, because of the difficulty which manufacturers would have in paying wages adequate to the price of bread. He added :

“The gentlemen who usually oppose the Government are now supporting them, simply because the measure is in accordance with Mr. Loyd’s views. I can understand this, but cannot understand how gentlemen who want to keep up the value of their property by an artificial law can consent to the destruction of their property by supporting the present measure.”

Mr. Newdigate, a Tory and Protectionist Squire from Warwickshire, who was respected and laughed at, lifted his voice against the measure in something of a prophetic strain. He did not think it wise or just artificially to contract the quantity or enhance the value of money, and he deemed the measure to be “a step towards a permanent and increasing depression of prices.” He said that there had always

been in England three coexistent aristocracies—that of birth, that of intellectual ability, and that of wealth. The combination of the three in our system had neutralized the faults and utilized to public advantage the virtues of each. But now, he said, “the probable political effects of that system *of which this present measure is a part* will be the construction of an aristocracy of mere wealth, by raising the value of money above other capital” (*i.e.*, land or intellect) “to the extinction of the present mixed aristocracy.” Has not subsequent history shown that there was some truth in this foreboding? The aristocracy of wealth is the most dangerous of the three, because, when it is strong enough, it can buy for its service a great part of the aristocracy of birth and a still greater part of the aristocracy of intellect.\*

The second reading of Peel’s Bill, embodying Loyd’s system, passed by a majority of 185 to 30. The majority was composed of Peel’s more personal following, combined with Lord John Russell and his friends; the scanty minority consisted of a blend of less dependent Liberals and Conservatives, mainly of the former. Disraeli did not speak or vote in these debates, although they must have interested his speculative and far-seeing mind. The Bill was little discussed in the House of Lords. Lord Ashburton (of the house of Baring) expressed grave doubts, and Lord Radnor, using the terms of free trade, protested

\* Lord George Bentinck, in a letter of 14 November, 1847, the year of the financial crash, and consequent rise in the terms of the money-lenders, wrote to Disraeli:

“I estimate the rise of one and a half per cent. in the interest of money as equivalent to an increased annual charge upon the land alone of the three kingdoms of £12,000,000 at the lowest, and taking houses, mills, mines, trade and commerce, £25,000,000 at the least, to be annually transferred from the land, house, and mineral property, the trade, commerce, or manufactures of the country, to the moneyed interest—to the money-changers and usurers, to Jones Loyd & Co.”

that "any attempt to manage the currency by legislative enactments was sure to fail, and that, when the Legislature had provided a sure, certain, and unerring standard on which it should be based, and had secured convertibility, they had done all that they ought to do, and that all the rest might be safely left to be regulated by the wants of the people and by the interests and the judgment of the persons who minister to them."

### III

One result of the Act of 1844 has been the consolidation of English banks into huge amalgamations under a small number of managements. This history is curious. The Act of 8 William III attempted to secure for the Bank of England, that darling creation of the Revolution Whigs, a complete monopoly of banking operations in England. The Act broke down in practice, being evaded by various devices, and then was passed an Act of 6 Anne, c. 30, intended, according to its preamble, "to secure the credit of the Bank of England." This Act prohibited any bank of more than six partners from issuing notes, and so prevented anything like a joint-stock bank with very large capital from being formed. This prohibition was modified in 1826 and removed in 1833. The Act of 1826 allowed the establishment of partnerships of more than six persons (*i.e.*, joint-stock banks) in any district more than sixty-five miles from London. The Act of 1833 allowed the establishment of joint-stock banks within that limit, with power to issue notes. Until the Act of 1862, which sanctioned limited liability, every shareholder in a joint-stock bank was liable to

the whole extent of his private fortune. The country banks of England had lived on their local credit and note circulation. After the Act of 1844 new banks had no power of note issue, and old banks extending their partnership, or becoming joint-stock banks or amalgamating with new banks, could not carry it on. By the end of the nineteenth century, as a result of this hostile policy, almost all the provincial English banks had lost the power of note issue through disappearances or amalgamations of the pre-1844 banks. A small number of central banks, with local branches, had replaced a much larger number of independent local banks. In the case of Scotland and Ireland the Legislature followed a different policy from that adopted in 1844 for England. Bank amalgamations were not attended by loss of power of note issue, and notes for less than £5 were allowed. The result has been that, in 1906, the ten large banks in Scotland and six of the nine in Ireland possessed the power of issue. In England and Wales the private bank-note circulation, if it is not yet quite extinct, has dwindled to the merest fraction of what it was in 1844, while in Scotland and Ireland the country bank-note circulation is from two to three times as large as it was in that year.\* It must also be observed that the Act of 1844 made Bank of England notes legal tender, a policy discouraging to the note issue of country banks. The whole policy of 1844 had a strongly centralizing and contracting tendency. The great banks have devoured the small ones, and while

\* In Ireland the present average circulation of notes valued £5 and upwards is now about 4½ millions, that of notes valued £3 and £1 (the vast majority being £1 notes) is about 2½ millions. The Secretary of the Institute of Bankers in Ireland, Mr. Lloyd Christian, has informed the writer that, in his opinion, "the £1 note is undoubtedly most beneficial to the trade and commerce of Ireland, steadies credit, and prevents panics, from which we are singularly free." See Appendix V.

the profits from banking have been extended to an army of shareholders, the actual management and direction of vast masses of capital have passed to a wonderfully small number of brains.

Sir Robert Peel claimed in 1844 that his Act would in future prevent commercial panics. In the long and heavy course of one of his solemn and virtuous perorations, in which, according to Disraeli, "he soared with the wing of the vulture rather than the plume of the eagle," he said that his "gratification" would be of a "higher and purer nature than any connected with the satisfaction of personal feelings," if he might "look forward to the mitigation or termination of evils such as those that have at previous times affected the country in consequence of rapid fluctuations in the amount and value of the medium of exchange." Three years later Peel had to admit to the House of Commons that he had been "disappointed in his hope that the Act of 1844 would enable us to guard against the recurrence of panic and confusion." The year 1847 brought the most terrific English commercial crash of the century. It was due to the coincidence of excessive speculation in foreign corn and in railways. Important houses fell in every direction, and for a period it was impossible to obtain money in any shape. At the beginning of the crisis the Bank of England had some sixteen millions in bullion. Gold was rapidly drained away until nine millions were left. At that point the Act of 1844 came into operation. The vicious circle was complete. No more gold could now be issued or enough would not have been left to meet the corresponding notes in circulation, and no more notes could be issued in

consequence of the limit imposed by the existing reserve of gold. The Bank of England could not now save the situation, as it had done in 1825, by an "audacious policy" of issuing notes and using credit to the uttermost.\* For some time the tension was terrible, and any one who had foreseen (as perhaps some did) the effects of the Act of 1844, and had hoarded money against the crisis, might have made a fortune in a week. Important men walked about the City streets and lanes not knowing whether they should ever walk there honoured and important again. On the 23rd October the Government did what they should have done in April, had they been well advised, and authorized the Bank of England to issue notes beyond the limits imposed by the Bank Act. Confidence was then at once restored, but not before immense damage had been done. Houses were said to have fallen to the value of £15,000,000. "What the commercial body wished to know," said Mr. Baring in Parliament, "was, if the power which had lately been exercised on their behalf would never be exerted again till ruin was complete."

As Disraeli said, the Bank Act had "locked up the coffers of the Bank and had thrown the key into the Thames," whence it was fished up by a too tardy and extra-legal operation which required a subsequent indemnity from Parliament. The Bank Act has been suspended upon two subsequent occasions, once in

\* In 1825 the Bank issued £5,000,000 of notes in three days, which stayed the panic. Lord George Bentinck said in one of his speeches on this subject in 1847, "By this law we are placed in this extraordinary position, that, though trade is in danger of being destroyed for want of the assistance of the Bank, and though the Bank is most willing and anxious to give trade that assistance, she is shackled by the operation of this law. It is just as though, when one strong man was standing on the bank of a river in which another was drowning, the law were to step in and bind the willing and ready arms of him on the bank, to make it impossible to save the other who was drowning."

1857 and once in 1866, action being taken more promptly by the Government. The merits of the Act of 1844 were for long a subject of controversy. Who shall decide where Scotchmen disagree? Two eminent economic writers took exactly opposite views. McCulloch, forsaking his revered master, Adam Smith, followed the Welsh banner of Lord Overstone, the quondam Samuel Jones Loyd, whose writings gave him, as well they might, a "high degree of intellectual delight"; Macleod, on the other hand, in his book on the theory and practice of banking (1873), said of Loyd's "Currency Principle":

"This theory sounds remarkably specious and plausible. Nevertheless, we affirm that there never was a greater delusion palmed off on the credulity of mankind, and that it could never have emanated from, or been believed in, by any one who had the slightest knowledge of banking accounts"; and elsewhere he described it as "one of the most stupendous illusions on the subject that any one ever conceived."

It has been suggested by a remarkable and original thinker\* that the eminent financiers who carried through this movement of centralization were instinctively guided by the interests of their class. As holders and lenders of money it was their interest that money should be dear while other things were cheap. Contraction or limitation of currency would increase the commanding power of gold over other produce. The writer in question maintains that Peel, "with his infallible instinct for the stronger side," was the instrument of these financiers, especially of Loyd; that his Act of 1844 was one

\* The American writer, Brooks Adams, in his deeply interesting book "Law of Civilization and Decay," published in 1895.

step, and free trade was another, in their victorious war for power over the producing classes, that the low prices during the score of years before 1844 were due to the decline in the relative amount and consequent increase in the power of gold ; that these low prices drove the manufacturing interest, in the hope of reducing their cost of labour, against the agricultural interest ; that the Bank Act of 1844, by substituting monopoly and restriction for free trade in paper issue, increased the control of the financiers by raising the power in their hands ; that the Californian and Australian gold discoveries in 1849 and onwards had a tendency in the opposite direction, but that the adoption of monometallism by Germany in 1873, and by other States, was a new triumph for the international society of financiers.\*

Is it true, on the other hand, as a modern school of economists hold, that the immense development of the credit system through bills, cheques, and clearing arrangements has deprived the relative amount of coin and bank-notes in circulation of material influence upon prices and wages ? † The credit system has certainly increasingly dispensed with, or at least vastly economized, the use of gold and bank-notes in liquidating all those larger exchanges which phantasmagorically float upon the surface of the sea of actual being. This is true, but, all the same, it is through gold and silver, objects of universal and

\* The German Empire has also followed the English policy of 1844 as to limitations of paper issue, though their law seems less stringent.

† It was stated in *The Times* on the best authority in January, 1913, that the grand total of all the transactions settled in the London and country clearing houses in the year 1912 was £15,961,773,000. In contrast with this enormous figure our gold currency in 1912 was estimated at about £130,000,000.

limitless desire, that are conducted the real or primary transactions into which, in the last resort, if one thinks it out, those larger exchanges resolve or melt themselves, namely, the payment of wages to workmen and retail buying and selling of articles of popular consumption. To the lay mind it would seem to be true, if the world is not regarded in the peculiar and unreal aspect which it presents to the eye of a banker or stockbroker, that the general level of wages and prices must be governed by the balance between actual currency and the supply of labour and goods.

The advent of Californian and Australian gold after 1849, and the enormous and still-continuing inflow of African gold after 1886, counteracted or delayed the results of Peel's Act of 1844 and of the destruction of continental bimetallism thirty years later. It remains to be seen what would be the effect of a long period during which gold output languished in default of new gold-mines, while Asia continued to drain the precious metal from the treasuries of the West, as she has done since Roman days, and absorb it into her hidden reservoirs.\* Prices would fall, and it would become more difficult for the employing class to meet interest on loans and taxes and the wages of labour. Would the European and American producer be destroyed by the money-lender, himself doomed to death by want of pasture when he has devoured all the rest? In a simple society where coin is rare, as in Norman or Plantagenet England, the money-engrosser, the "Isaac of York," had more obvious and direct

\* See Appendix V. The theory of the economists that influx of gold raises prices and so diminishes exports and increases imports and rectifies the balance of trade almost entirely breaks down in the case of India, where the imported gold does not pass into circulation or affect prices.

power, tempered by royal extortion or popular riot, than he now possesses in London or New York. His simpler operations may still be studied in India, or Russia, or Morocco, but in a complex society they must soar into realms of finer art. If a thing is true of a simple society, it is also almost certainly true, upon a higher plane, of a complex society, but the *modus operandi* is now a thousand times more difficult to see and counteract, and so the more dangerous to the constitution and welfare of society.\*

The eighteenth-century mercantilists were a trading and producing interest. They held that the object of trade was to attract into a country a balance of gold, by making the value of exports exceed that of imports. A protected home market was to effect this. They have been accused of the childishness of thinking that real wealth consisted in gold. Their true reason was doubtless more substantial. On the whole their own interest lay in high prices, and they thought, with justice, that plenty of gold in the country made prices high and trade brisk. On the other hand the free trade financiers of the nineteenth century, largely cosmopolitan Jews, who had risen to power by money-lending during the wars, instinctively desired that prices should as a rule be low, and the value, or commanding power, of gold high. And what, all this time, was the interest of the community? The commonwealth consists of all kinds and conditions of men, and its interest, therefore, may lie in compromises which can best be realized by hostility on the part of statesmen towards all extremes. The Act of 1819, which imposed the

\* The German writer, Werner Sombart, in his book on "Judaism and Capitalism," has an interesting argument to show the close affinity between Judaism, Capitalism, and Liberalism.

check of convertibility at will upon issues of notes, but left the amount of issue to the discretion of the Directors of the Bank of England and the country bankers, was probably the true *via media* in this matter. Peel, in his Act of 1844, probably went too far in the direction of artificial limitation of note issue, just as Pitt, in 1797, had gone too far in the opposite direction by removing the check of convertibility. Pitt's policy may have produced prices too high, and Peel's policy prices too low for the welfare of the *average* citizen, if such an abstract conception may be permitted.\* The same criticism, the same charge of deserting the *via media*, is applicable to the tariff and fiscal policy of Peel in 1846, and still more to that of his illustrious disciple and successor, William Gladstone. At any rate, one sees in this way how freedom in imports and restriction in note issue may have been parts of the same "system," as they once confusedly appeared to the old-fashioned Mr. Newdigate, and why they were supported by the same party, and carried into effect by the same Ministers. One sees how the acute Samuel Jones Loyd *may have* been brought into natural or instinctive co-operation with the honest Richard Cobden.

\* Currency is, of course, only one factor in prices. Cost of production and transport is the other great factor.

## CHAPTER VI

### THE BATTLE OF THE CORN LAWS

#### I

THE average annual price of a quarter of wheat during the four complete years of Peel's Administration had ruled as follows :

	£	s.	d.
1842	...	...	2 17 3
1843	...	...	2 10 1
1844	...	...	2 11 3
1845	...	...	2 10 10

The harvests in 1842, 1843, and 1844 were above the average. British agriculture was in a highly efficient condition, easily the best in the world, and so far had been able, except in exceptionally bad years, to supply at least nineteen-twentieths of the entire demand of the population at prices which were, on the average, no greater than those which for many years followed the repeal of the Corn Laws. The writer of a well-informed article in the *Quarterly Review*, in 1844, said :

" Between 1801 and 1841 the population of the United Kingdom has increased from 16,000,000 to 26,800,000, and these increasing numbers have been sustained with food almost entirely by the augmented productions of our own

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improving agriculture. By extensive enclosures, by large expenditure of capital in draining, by improved systems of alternate cropping, by large importations of foreign and increased production and preservation of domestic manures, by the culture of roots, especially of turnips, by the general spread of sheep industry, by improvements in the breed of cattle and inventions of more efficient agricultural implements, and a consequent economy of seed and labour, especially of the costly labour of horses, an amount of new and efficient forces has been called into action, among the more energetic and intelligent part of the cultivators of the soil, especially in the northern and eastern parts of our island, which has been very nearly adequate to meet, from our home supplies, the increased demand for food arising from this addition of 10,000,000 to the population of the empire in the first forty years of this steam-rate century."

A passage from the economist writer McCulloch may also be quoted as evidence upon this point. He wrote :

"Despite the restrictions on importation the prices of corn were comparatively reasonable during the dozen years ending with 1845. This was a consequence of the improvement of agriculture subsequently to 1820, or 1825, occasioned by the better drainage of the land, the application of bone manure and guano, the extension of turnip culture, etc. Hence, notwithstanding the increase of population, the prices of corn in this country were gradually approximating to those of the Continent, and a conviction began to gain ground that the repeal of the Corn Laws would be much less injurious to agriculture than had been expected."\*

The same writer in his work on Taxation had said :

"The price of wheat in England at an average of the ten years ending with 1820 was no less than 83s. 6d. a quarter.

\* McCulloch's notes to his edition of the "Wealth of Nations," edition of 1863, p. 524.

Its average price has since been reduced to 56s. 11d. a quarter, and yet, notwithstanding this tremendous fall, a most extraordinary improvement has taken place in agriculture since 1820, so much so that we now provide for an additional population of at least seven millions, not only without any increase, but with a considerable diminution of importation. Considering the vast importance of agriculture, and that nearly half the population are, directly or indirectly, dependent upon it for employment and the means of subsistence, a prudent statesman would pause before he gave his sanction to any measure, however sound in principle or beneficial to the mercantile and manufacturing classes, that might endanger the prosperity of agriculture or check the rapid spread of improvement."

Sir Robert Peel's Act of 1842 went beyond the Act of 1828 by reducing the price level below which the duty upon foreign wheat became almost exclusive from 66s. to 56s. Next, by the Act of 1843, he admitted Canadian wheat, virtually free, at a duty of 1s., and also American wheat, provided that it passed through Canada, at the same duty, added to a duty of 3s. imposed on the Canadian frontier. After 1843, therefore, the law gave only a moderate degree of protection to English, Scottish, Irish, and Canadian agriculture. But the complete doctrine of free trade was now being urged, and palliating measures did little to mitigate the fury of the attack. By 1845, it is true, and indeed before then, every possible argument on either side had been stated again and again; every one had made up his mind, corn was cheap, the country was very flourishing, and a certain languor enervated the debates.

Four groups stand out distinctly. There were the strong Protectionists, the men of the older school, who objected to, and reluctantly acquiesced in, Peel's

modification of the existing Corn Law, and to his removal of the prohibition of foreign cattle, in 1842, and to his Canadian Corn Act of 1843. A large section of these men even voted against the latter Act. There were, next, the hesitating and balancing supporters of the existing sliding scale, as modified—Peel himself, most of his ministers, and the more official section of the party. There were, thirdly, the advocates of free importation of corn, led by Villiers, Cobden, and Bright, still a small minority in the House of Commons. Lastly, there were the official Whigs, headed by Lord John Russell—men like Labouchere, Charles Buller, and Macaulay. Lord Howick (afterwards the second Earl Grey) at first belonged to this group, but, finally, went over to the total repealers a little in advance of Lord John. These men were moderate protectionists. They wished to get rid of the sliding scale principle and to substitute a fixed duty upon foreign wheat.

The chief economic writers of the time supported this last group. Ricardo advocated a small fixed duty on corn. McCulloch expressed the real Whig view when he wrote :

"The injurious influence of the existing Corn Law has been stupidly and factiously exaggerated. Still, however, it is incontestable that the sliding scale is productive of great loss and inconvenience, and the substitution of a fixed duty of 5s. or 6s. a quarter, to countervail the peculiar burdens falling on land, would be a signal improvement."

Down to the very moment of Peel's conversion, Lord John Russell tenaciously held to the proposal made by his Government in 1840 to replace the

sliding scale by a fixed duty. He asserted throughout the justice of giving a small advantage to British farmers. His reason was that the expenditure upon local administration, especially the cost of poor relief and tithes, was mainly supported by the occupiers of land, then of course a far larger proportion of the total population than they became later. He objected to the sliding scale partly because he thought the prohibitory price level, even after the reform of 1842, was too high, but much more because the system made prices variable and uncertain, and so disturbed and deranged the market. Importers of foreign corn were tempted by the system to keep their supplies bonded in warehouses, waiting the moment when the price rose to a level at which it was most profitable for them to disgorge. The higher the price level the lower was the duty, and the greater the profit to be obtained by selling. This made the market speculative or gambling. The question for importers was, "How long shall we hold up the supply?" If, at a certain price level, some large importers began to sell, others had to follow. The result was that, when the home supply was inadequate, the foreign supply might be held up till prices reached a high level, and then there might be a sudden rush into the market, and a break in price. Corn-dealers, like most gamblers, usually came to a bad end. Now, said Lord John and his friends, when the subject matter is the food of the people, it is highly undesirable that the law should afford inducements to, and opportunities for, gambling and speculation. Sudden changes of price affect the whole social economy of the nation. But adopt our method of a fixed duty upon foreign corn, quite independent

of current prices, and you will secure an even, steady flow of foreign corn exactly as it is required into the British market. There will be no temptation to hold up the corn until a higher price produces a lower duty, and consequently a higher profit. At the same time the Exchequer will receive a larger and steadier revenue from a fixed duty than it does from the changes and chances incident to the sliding scale. In 1841 Lord John had proposed a fixed duty of 8s. the quarter on foreign wheat; in 1845, he reduced his proposal to a duty of 4s., 5s., or 6s., and not till his Edinburgh letter in December, 1845, did he abandon this position.

No party in Parliament, except that of the more official Whigs, agreed with Lord John Russell's plan. A Liberal member said (10 May, 1843) : "There is now no party for a fixed duty. Some of the leading Whigs may advocate it, but there is no party for it in or out of the House. Any one who goes to the large towns to gather the sentiments of the people will see that all of them demand the establishment of the principles of free trade and the total abolition of any protection, whether for the manufacturers or the land." The protectionists disliked it because they thought that it would diminish protection. The free-traders disliked it because they wished for complete free trade. "How," asked Cobden (24 February, 1842), "can there be a duty for revenue unless it be a duty for protection?" In an anti-corn-law procession a banner was seen with the ominous device, intended to strike terror to the heart of Whig nobles, "A fixed duty is a fixed injustice." A Liberal member in 1844 said that Lord John Russell "stands there with a sort of dogged pertinacity, the type of a fixed duty

which no one wants." Nor would Peel accept the idea. If the price of corn were low, he said, a fixed duty would not benefit the British farmer, and if the price were high the country would not endure to see the fixed duty upon the top of the price, nor could any Government maintain it. Lord John Russell then suggested that Government should have power to suspend the fixed duty when the price ruled very high, and that after the price had passed a certain level, as, *e.g.*, 73s., the fixed duty should become 1s. But, he was told, this method, when the price approaches that level, will bring back those very evils of speculative holding back which you impute to the established system.

The Whigs, always practical politicians, offered the fixed duty as a practical compromise. They belonged to territorial families, and sat for seats awarded by the votes of farmers upon whose hereditary attachment, even to Cavendishes or Russells, it was possible to inflict too great a strain. They sought a conclusion which would partly satisfy both wings of the Whig-Liberal party, the territorial section and the industrial or manufacturing section. It would have suited them well if Peel would have made himself responsible for a change from the sliding scale to the fixed duty. If, obtaining office, they should themselves propose that change they would risk a revolt of the free-traders. If, on the other hand, they should, in office, accept the wishes of the free-traders, they would displease their own more immediate adherents. But if Peel would but propose the change to a fixed duty, and if he could succeed once more, as over Catholic Emancipation, in carrying his own reluctant party or most of it with him,

the Whig leaders could advise all their adherents to accept the compromise, and themselves could safely vote for it. This was quite a reasonable view, but Sir Robert Peel stiffly declined to accept these terms. If a change were inevitable, he preferred himself to make the passage to complete free trade, and would risk the break up of his party rather on the larger issue than on the smaller. Peel was proud and shy. He would not make terms with his opponents, and he could not charm his adherents.

Lord Howick in 1843 (10 May) professed himself to be in favour of a small fixed duty on corn as the "best solution of the existing difficulty," (1) because it would be the fairest compromise between conflicting opinions; (2) as a revenue tax which "would scarcely have any sensible effect upon the price of corn, but would be the best of all taxes . . . a tax which would not be felt by the consumer, while at the same time it would be highly productive to the Exchequer."

How little the Whigs of that day, any more than Adam Smith, thought of the scholastic modern argument that a tax upon the whole supply, home and foreign, takes more from the consumer than it brings in to the Exchequer! Lord Howick warned the Tories that they would be wise to accept the compromise offered before their leader led them into a surrender still more abhorrent to their feelings.

"I would ask gentlemen opposite whether they feel secure in following the right hon. baronet. Look to his previous conduct. Has it not ever been his course that, when he felt it necessary to consider the great question of the time being, he has ever been a day too late?" Had they forgotten Catholic Emancipation? At the time of the Corn Law of

1828, a fixed duty of 10s. in lieu of the sliding scale was proposed in the House of Commons, but only secured 27 votes. "At that time I believe the country would have been grateful for a fixed duty of 10s. and would have accepted it as a permanent settlement of the question, and we should never have had the matter agitated as it has been. In 1841, I believe a fixed duty of 8s. would have been thankfully received. I am persuaded that this would not be the case now, but I believe that a lower amount of duty, for instance, of 4s. or 5s., would still be accepted. But I warn you, if you refuse the present opportunity of settling the question by the adoption of such a step you will, if you delay, not be very likely to settle it by continuing any duty whatever." Again he warned the Protectionist Tories that their chief would throw them over, and would "do the thing handsomely. . . . Depend upon it, on the occurrence of the first bad harvest this will be the result."

This was a prophecy exactly fulfilled. In the following year\* Lord Howick admitted that many strong objections might be urged against the proposal of a fixed duty "on mere revenue considerations," but still adhered to the view that, as a fair compromise between conflicting opinions, and "not without reference to revenue," that proposal would be the best which could be adopted. "But if the right hon. baronet on the one side chooses to join with the determined opponents of the Corn Laws on the other in opposing the compromise of a fixed duty, I must agree that the imposition of such a duty will be impossible. Whether the Prime Minister is consulting the best interests of the agricultural classes in refusing the compromise it is not for me to say." The refusal of the *via media*, he added, left only two courses open, either to maintain the existing Corn

Law or to allow corn to be imported free. "If I must choose between the two conflicting extremes, my choice will be in favour of a free importation. If the right hon. baronet should place me in that position, I would say unhesitatingly that this would be my choice. But should the Prime Minister reconsider his position, should I find that there was any disposition on his part and that of his friends and supporters to agree to what I cannot but look upon as a fair and just compromise, I should for one most gladly close with the offer."

Lord John Russell in the debate on this subject four years earlier (26 May, 1840) had referred to Sir Robert Peel's argument that, if the Corn Laws were repealed, so also ought to be all other protecting duties. Lord John at that date fully shared this opinion, and he was "decidedly opposed to the repeal of these protecting duties, whether on corn or manufactures." He added, "The system of protecting duties had been approved of by Mr. Huskisson, who had always declared that he never intended to propose perfectly free trade. That system I believe to be a perfectly sound one, and I am sure that when a system has been long tried, and found effectual, any sudden change which threw aside all protecting duties would be attended with the greatest distress. Not being able, therefore, to agree to a total repeal of the duty on corn, I wish to be understood as desirous to substitute a moderate fixed duty for the present fluctuating duty. With a moderate fixed duty we should have a steady trade in corn, and should put an end to many of the evils in the existing system."

In 1844 (1 February) the Whig Chief had not much

changed his ground, although he stated the free trade ideal more boldly. There were, he said, three schemes of legislation on the subject of the Corn Laws, "each supported by a numerous party. One is the scheme, the old scheme, that all articles of British industry ought to be protected against foreign industry, a scheme maintained by those who exercise their skill and industry in certain branches of industry, because, as they contend, British industry cannot flourish without such protection. Another opinion is that there ought to be no laws for the protection of industry. Competition, it is said, should be entirely free; and there should be no duties except for the purposes of revenue." The third opinion was the middle course taken by Sir Robert Peel. "Now," said Lord John, "although the first opinion is totally erroneous, and though the second opinion is in itself absolutely true," yet, in the condition of the country, etc., "you should make that change with great caution, and should rather look to how a fair competition with foreigners can be established with some advantages to our own producers, who have hitherto been unduly favoured, than go at once into a system of entire freedom, contrary to sound policy." Sir Robert Peel in this debate stated the same opinion:

"Although (he said) it might be true that in a new state of society, and abstractedly speaking, there should be no protection for native interests, yet in a country like ours, with such complicated relations and such large vested interests, and with so vast an amount of taxation, it would be dangerous to apply principles even abstractedly right, incurring the risk of a great disturbance of capital and of great injury to those engaged in existing arrangements. Sir, in this general principle I do certainly concur. I believe the

abolition of the Corn Laws would produce great confusion and distress. There is, however, this difference between the fixed duty and the graduated scale. Now here I retain my own opinions."

Peel again objected that unless a corresponding excise duty were placed on British-grown corn a fixed duty would operate just as much, so far as it went, for protective purposes as did the existing Corn Law. The Whigs, he said, might, if it pleased them, call it a revenue duty, but they would not by this use of words reconcile the free-traders, who dealt with facts. More than a year later (28 May, 1845), on the very eve of the total repeal of the Corn Laws, Lord John Russell was still doggedly arguing in favour of a fixed duty of 4s., 5s., or 6s. per quarter. He based his argument much upon the expediency of making "a gradual return from bad habits to good ones," and said, "That there may come a time when the state of population, the manufactures and the commerce of the country may require a total abolition of all duty on corn, I will not deny." Lord Howick said in the same debate that the time for compromise had now gone by.

### II

Since the Prime Minister refused to join with the Whigs in arranging a compromise against the wishes of the protectionists on the one side and the free-traders on the other, the issue became one between these two parties. The Whigs had to fall in reluctantly with the Radicals. The central point of combat, the key of the whole position, were the Corn Laws, but battle ranged over the whole field. If the

Corn Laws went down, the rest of the old national system, colonial preference, Navigation Laws, duties upon foreign manufactures, would evidently fall with it, because the whole system held together and its parts were interdependent. The basic theory of free trade was lucidly phrased by Ricardo, the writer and member of Parliament :

"Under a system of perfectly free commerce each country naturally devotes its capital and labour to such employments as are most beneficial to each. The pursuit of individual advantage is admirably connected with the universal good of the whole. By stimulating industry, and by using most efficaciously the peculiar powers bestowed by nature, it distributes labour most effectively and most economically, while by increasing the general mass of production it diffuses general benefits, and binds together by one common tie of interest and intercourse the universal society of nations throughout the civilized world."

Another side of the theory was thus put by James Mill :

"The benefit which is derived from exchanging one commodity for another arises from the commodity received rather than from the commodity given. When one country exchanges, or, in other words, traffics with another, *the whole* of its advantage consists in the commodities imported. It benefits by the importation and by *nothing else*. A protecting duty which, if it acts at all, limits imports, must limit exports likewise, checking and restraining national industry, and thus diminishing national wealth."

This last argument was powerful in its appeal to the manufacturers, especially those engaged in the great exporting industry of which Manchester was the centre. If, they constantly argued, you let in foreign

food freely and copiously this will automatically create increased demand abroad for our cotton and other goods. England will become the "workshop of the world." Our population, and its consuming power, will consequently increase so much that all the foreign food imported will be consumed without any diminution in the demand for the produce of domestic agriculture. It was a sanguine age, and wealthy manufacturers saw, or thought they saw, unlimited expansion of their profits, if only the surviving checks upon free exchange, especially in the case of food-stuffs, could be removed. Their profits, they thought, were being sacrificed to the rents of landowners, and for landowners they felt the mixed envy and contempt, so well expressed in Disraeli's novel "Coningsby," which active, self-made business men feel for the "idle rich." They believed, too, that they were at a disadvantage, or might soon be, in the world competition against the manufacturers of Germany, who showed symptoms of revival, now that the desolating effect of the Napoleonic Wars had passed away, and the Zollverein, embracing some 25,000,000 of people, had, in 1834, been established. The arable area in Germany was still large in proportion to the population; food prices were markedly lower than in England, and the wages of artisan labour were lower.

In our own days those who desire to restore a protective policy in England have drawn alarming pictures (certainly based upon fact) of the relative progress of foreign competitive manufactures. In the "forties" those who wished to abolish the Corn Laws also crowded their speeches and pamphlets with accounts of the progress of manufacturing industry

in Germany and elsewhere, which they attributed to the low food prices, and consequently low wages, regnant in those lands. The English manufacturers were usually careful not to say, except when hard-pressed by cross-examination in Select Committees,\* that a reduction in the cost of food would enable them to reduce wages. But their advocates said that a reduction in the cost of living would increase "real wages," that is, the increased cheapness of food would make it unnecessary to pay more, or so much, in money wages. The English manufacturers completely monopolized their home market, and, if only they could keep down wages, no longer feared invasion of that market by others. Cobden said (10 June, 1844) that they did not desire protection for themselves. "All that we desire is to be left alone." But they did desire with the whole force of their souls to conquer new markets abroad and to drive rivals off the field. English manufacturers understood very well the truth that, although a nation may get a long start, as England did, over competitors, by means of inventions, superior machinery, higher skill, and more developed means of transport, yet that these advantages continually tend towards equalization throughout the civilized world, and that, in the long run, relative cost of production will, in a world of machine-labour, depend upon hours and wages, and upon the power either of obtaining food cheaply, like the Americans, or of working upon less food, like the Japanese. The "meek shall inherit the earth." Translated into economic terms this means that supremacy will, in

\* As, e.g., in the examination of Mr. Ashworth and Mr. Greg, two manufacturers and free-traders of Manchester, by a Select Committee of the House of Lords in March, 1846.

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the end, be with those who, without inferiority in brain-power and physique, can lead the simplest life, save in so far as those who desire a more complicated and luxurious existence protect themselves by the weapons of commercial defence. The English manufacturers were, in the "forties," in the position Bismarck described when he said, in his immortal speech of 14th June, 1882 :

"I believe the whole theory of free trade to be wrong. . . . England abolished protection after she had benefited by it to the fullest extent. That country used to have the strongest protective tariffs until it had become so powerful under their protection that it could step out of those barriers like a gigantic athlete and challenge the world. Free trade is the weapon of the strongest nation, and England has become the strongest nation owing to her capital, her iron, her coal, and her harbours, and owing to her favourable geographical position. Nevertheless, she protected herself against foreign competition with exorbitant protective tariffs until her industries became so powerful."

English manufacturers, then, fought to obtain raw materials and food at the cheapest rates (so as to avoid high wages) with a view to defeating rivals in the world markets. These ends appeared to them almost in the light of doctrines of religion. Roebuck, a bitter Radical, said, with a singular blend of the language of the apostle and the shopkeeper :

"The great doctrine of free trade ought to bear down all partial affections. The principle of buying in the cheapest market and selling in the dearest should be adopted as our motto in commercial transactions, and we should be induced by no petty personal considerations to deviate from that great principle."

The manufacturing party believed, or hoped, that,

if we removed our barriers against the food produce of other nations, they would remove their barriers against our manufactures. They constantly declared in their meetings and writings that this would certainly happen. They alleged that, by preventing the free entrance of continental food into our markets, we had driven the continental nations into the line of large-scale manufacturing which we ought almost to monopolize, until at last they, especially the Germans, importing our machines and skilled artisans, were becoming formidable manufacturing rivals in the markets of the world. Manufacturing profits were, they alleged, sacrificed in favour of those of agriculture. In substance, the Lancashire party demanded that this process should be reversed. Naturally they imaged the true greatness of the nation from their own point of view. They believed that the removal of the Corn Laws would not only enable them to maintain and improve their advantage in the world markets, but would enlarge the demand of the home market for their special productions. If the people were enabled to get as much, or more, food at a lower price, they would have more money to spend in other directions. If bread were cheaper the demand for shirts, boots, etc., would increase.

Most advocates of free trade, when they addressed themselves to the consumer of food, maintained that the removal of the Corn Law would reduce the price of corn. When they addressed themselves to the farmers, still so politically powerful, they maintained that prices would not be seriously affected. This is the kind of inconsistency often seen in arguments used to secure a majority of votes. A more reasonable argument was that if the price of corn were reduced,

consuming power would be increased, and the people would have more to spend upon agricultural produce of a kind which could not, in those days, be easily imported and must be grown at home. One Liberal speaker\* said that "all the supplies we could obtain from every quarter of the world would not countervail the growing numbers and the growing wealth of the country."

Charles Villiers said † : "What was the most that the most sanguine repealer expected to come in under a free system of trade?—why, hardly more than 4,000,000 quarters of wheat. Is not," he asked, "the bare contemplation of the land losing its value in this small island, with a dense and industrious population, and great wealth and demand for land, positively ludicrous?" ‡

British duties against corn were, it was said, themselves among the causes which made the price so much lower in some other countries than it was in England. If, for instance, wheat growers in Northern Germany could not export their surplus produce to the English market, this made corn superabundant in Germany and kept down the price there. If it were admitted to England the North European price of corn would attain to a common level, like water when a dam is removed. That level might be somewhat below present prices in England, but it would be

\* Buller, 16 February, 1842.

† 16 February, 1842.

‡ In an average of fourteen years before 1842, 1,000,000 quarters had been annually imported. The average amount produced in the United Kingdom was about 17,500,000 quarters. By the early "sixties" the average import of wheat and wheat flour had risen to between eight and nine million quarters per annum. Between 1821 and 1841 the population of the United Kingdom increased from 20,894,000 to 26,781,000, i.e., by about six millions. In the next twenty years, from 1841 to 1861, it increased from 26,781,000 to 28,927,000, only about two millions. There was in this last period a decrease of nearly two and a half millions in the population of Ireland. In the next period of twenty years, 1861 to 1881, another six millions were added to the population of the United Kingdom.

higher than present prices in Germany. Therefore the British agriculturalist need not fear that corn would enter at the then existing price at Dantzig, plus freight.\* That degree of lowness of price would exist no more.

"Many apprehensions," said one speaker,† "had been expressed as to the low price of corn abroad, and the horror of competition with countries where agricultural produce was of such little value. But the power of augmenting prices abroad is in the hands of the British Legislature, who had only to say, 'Open the ports of Great Britain,' and the immediate result will be a rise to something like the level of English price. It is the buying country, and not the selling country, that creates the price."

These predictions were reasonable enough as things then stood. Most corn that could then come to England would be imported from the Continent of Europe, and the growing population of those countries, and the fact that with a not very advanced agricultural skill and implements they cultivated a soil which was by no means virgin, made it improbable that the invasion of foreign wheat at low prices would be overwhelming, or that it could more than keep pace with the rapidly growing population and demand in Great Britain. As a matter of fact, the repeal of the Corn Laws did not reduce existing prices, though no doubt it prevented them from increasing, as the growth of population outstripped the productiveness of our agriculture. Agricultural rents and profits were not reduced, they rather rose, nor was English land driven out of arable cultiva-

\* In 1842 the price of wheat at Dantzig f.o.b. was 40s. per quarter and the freight to London about 5s.

† Bowring, 22 February, 1842.

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tion, until more than thirty years later. Not till the end of the "seventies," when science had vastly developed the economy of agriculture and the transport of wheat in great quantities by sea and land, were the virgin plains of North America brought into full operation upon the English market. Till then the cheerful predictions made by the free-traders to the farmers and landowners seemed to be fulfilled, and the gloomy anticipations of the protectionists seemed to be falsified, by the event.\*

In reply to the old argument that, in view of war possibilities, the English ought to be able to raise their own food at home, or nearly so, it was said that the growth of population had, in any case, made such self-dependence impossible. English-grown corn had not, in fact, for some time been sufficient to meet entirely the needs of the English people, unless in exceptionally good harvest years. "Can anything be more clear," asked Macaulay, "than that, next to independence, and, indeed, amounting in practical effect to the same thing, is a very wide dependence on the whole world, on every State and every climate? There is the highest probability that the crops will not fail everywhere in the same year. There is an equally strong probability against our being in hostility with the whole world." † In order to show how little even war imperilled

\* McCulloch, in 1868, was able to write: "Previously to 1846 the efforts of the farmers were too much directed to the culture of corn; but since that date the more extensive growth of animal products, occasioned by the increased demand for butcher's meat and wool, coupled with the extension of drainage and green cropping, has given an extraordinary stimulus to agriculture. Except on the heaviest clay lands, which are ill suited for the turnip industry, rents have everywhere been considerably increased. It is, indeed, certain that agriculture has made a greater progress since the abolition of the Corn Laws than it ever made in any previous period of equal duration." —Notes to his edition of the "Wealth of Nations," p. 524.

† Speech on 21 February, 1842.

our supply of over-sea food he reminded the House that, in 1810, we imported 1,600,000 quarters of wheat, of which 800,000 quarters were smuggled out of France and other countries under Napoleon's "continental system," notwithstanding his prohibition. The self-dependence argument was, indeed, weaker than it had been in the eighteenth century, when our corn supplies could only come from European ports which might conceivably be all closed against exports to England, and when our command of the sea against the combination of France and Spain was, as towards the close of the first American War, by no means always certain. There was now the prospect of corn exports from America as well as from Europe, and our control of the sea had been uninterrupted since Trafalgar. Not till the beginning of the twentieth century was it again seriously menaced. "If," said Lord John Russell,\* "you have free and universal commerce protected by your great and formidable navy, you need not have the smallest fear for your independence." The condition was all-important. Now that the town has been made, in England, too large for the country, and the country is no longer able to feed the town, command of the sea has become vital in a sense in which it was not vital before the repeal of the Corn Laws. A few swift hostile cruisers at large in the Atlantic Ocean might suddenly send up prices to famine height, since four-fifths of our bread-stuffs come from over-sea, and there is never more in the country than a supply for a few weeks ahead. To lose control of the seaways for a couple of months would now mean submission to the terms of an opponent. Our

\* 14th February, 1842.

dependence for food upon foreign lands and the over-sea dominions of the Empire has therefore made enormous and unlimited expenditure upon our navy to be essential, now that formidable rivals have again appeared. The English now instinctively feel that no taxation is too great to secure sea-control. But, certainly, in the middle of the nineteenth century the old argument had lost in force, and sounded hollow. The proportion of our total supply produced at home was still very great, no serious difficulty in securing the balance was probable, and there was no doubt that in war we could drive an enemy or combination of enemies off the seaways.

The Corn Laws were assailed also as detrimental to public revenue. The Whigs contended that the revenue was lost which might have been obtained by the admission of foreign corn at a moderate fixed duty. Those who wished to admit corn free could not say this, but they maintained that, wheat being a necessity for all classes, the poorer part of the population, if the price of bread were kept artificially high, were forced to spend so much upon it that they were curtailed in their power of consuming such revenue-producing articles as tea, beer, spirits, and tobacco. Hence the revenue would gain if the price of bread were reduced by the repeal of the Corn Laws. They adduced figures to show that, as Cobden said, "The revenue declines just as your corn rises in price, and the revenue flows over just as the value of corn falls: so much so that it is a perfect barometer as to the state of trade." If, through free importation of foreign wheat, the price of corn were kept steady at a reduced and moderate level, the revenue would gain on the one side, just

as the manufacturers for the home market would gain on the other. This argument was true. If the price of bread fell the labouring classes could consume more spirits and beer, more tobacco, tea, and sugar, and the Exchequer would derive more revenue from these sources. True it was, also, that if the cost of existence were diminished by a fall in the price of bread, the Government might increase taxation of goods called, rather absurdly, the "luxuries" of the poor. In that case the poor might be no better off, or even worse off, than before. It is useless to the average working man to have cheaper bread if he has dearer beer and tobacco and tea, articles which are equally part of his normal domestic budget.

It was, further, maintained that the Corn Laws, by making the supply of wheat, up to a certain point, depend upon home production, led, since seasons vary, to great fluctuations in price which were bad for trade generally, and were undesirable from the point of view of the farmers themselves. If foreign wheat were to enter unchecked in response to the slightest variations in possible profits, these fluctuations, it was said, would be reduced to the narrowest limits. This, according to economic theory, seemed likely to be true, but, as a matter of fact, the variations in the price of wheat were, for many years, as great after the repeal of the Corn Laws as they were before it. From 1825 to 1845 there was no fluctuation from year to year so considerable as that which occurred between 1847 and 1848, or between 1852, 1853, and 1854,\* and the slighter annual variations after 1846

\* The Crimean War, however, affected these prices.

closely resembled those which took place before that date.

There were other arguments of the economic kind. Dear food meant high poor rates, a special burden upon agricultural industry. Protection directed farmers too much into wheat growing, weakened their energy, and hindered improved methods of husbandry. Free competition with the outside world would, it was said, be a stimulus. This allegation was easily answered at the time by figures showing the immense progress of British agriculture during the age of protection. The laments of modern land reformers over once finely cultivated arable land now degenerated into rough, thistle-covered pasture, or rabbit warrens, their tears shed over declining and deteriorating rural populations, make one doubt whether the free competition proved the stimulus and encouragement to British agriculture predicted by the ardent and sanguine reformers of the Anti-Corn-Law League. Modern reformers attribute the decline of agriculture to the spread of game preserves. The spread of game preserves is due to the decline of agriculture, or rather, perhaps, there is a vicious circle started by the decline of agricultural prices and profits. In countries like Germany direct national encouragement and protection has proved to be an immense stimulus to agricultural industry. In England the stimulus of open competition has done much to destroy it.\*

### III

All these arguments were ably reasoned in Parliament and in the newspapers and reviews

\* See Appendix VII.

and pamphlets of the time, but the real driving force of the revolution of 1846 was of a social and not of an intellectual kind. This is always so in the affairs of nations and of men. Intellect is the servant of the will, save in the case of rare philosophers : she attends her lord to war and provides him with weapons. Writers discovered, as they always can, admirable economic reasons. The event, in fact, was a social revolution carried out against the opposition of a landed aristocracy by men engaged in manufacturing industry, who believed that the Corn Laws, by raising industrial wages and diminishing the foreign demand for British exports, lessened their possible profits. These industrial chiefs led an artisan class not yet much represented in Parliament, who were taught that the Corn Laws made their bread dear in order to swell the rents of rural landowners. The fact truly fatal to agricultural protection in England was that ultimate rents or profits visibly fell into the hands of a relatively small and wealthy class. Not economic arguments, but this fact, won the free trade victory. Facts are stronger than words. If the history or the law of England had caused the land to be divided among a great number of small cultivating freeholders, it is certain that the complete abolition of agricultural protection would not have been carried, however good the economist theories and arguments, till at least a much later date, and probably never, any more than it has been carried in France, although France too has had excellent free trade writers. But English history, the result of ancient freedom and energy and respect for personal liberty, had concentrated in this small

class the freehold possession of most of the corn-producing land. Against this weak point in the defence of the city of protection the fire of the enemy during the years preceding 1846 was incessantly directed. The whole poverty and misery in the country was falsely attributed to this one great cause by most of the platform orators. Cobden and Bright brought into the House of Commons their blunt Anglo-Saxon eloquence, already practised upon a hundred platforms. They were not statesmen of the central mind, but they had the force given by strong and concentrated provincialism of both space and time. Their speeches were plain, direct, and returned always to the essential point, that a law was bad which benefited the rich at the expense of the poor. On their side was the Obvious and the Immediate, half the battle in a more or less democratized constitution.

The main protectionist contention was that a flourishing agriculture was essential to the welfare of the nation, and that, if foreign corn were freely admitted, British agriculture would be undersold and ruined. But this was equivalent to admitting that free imports would reduce the price of the loaf. As a matter of fact this result did not follow for many years after the establishment of free trade. But assuming that the protectionists were right in their prediction, the question in the early forties was argued on the following lines: Is the agricultural interest so essential that it is worth maintaining at its present altitude at the cost of an artificially high price of the bread consumed by every man, woman, and child in the United Kingdom? What, again, is this agricultural interest? Supposing that

the price of food-stuffs falls, the people at large will gain, and who will suffer? Not, it was said, the farmers. Men only take farms in order to gain a certain rate of profit on their capital, and, if prices were permanently lower, the landowners must in the long run reduce their rents in order to obtain occupiers for their farms. The farmer, it was said, has been tricked into believing that he gained by the Corn Laws. He has been "assured that by these laws he would be secured in the price for his corn, and what has been the result? That he has been deluded into the payment of a higher rent."\* Even assuming that the farmers gained by the higher prices of corn, this gain was not shared by all the farmers in the country, and the gain of some involved the loss of others. Corn-growing land mainly lay east of a line drawn diagonally across England from south-west to north-east. To the west of this line the land was mostly devoted to stock-raising. Under the Corn Laws these breeders of meat had to pay more for the food-stuffs on which they fattened cattle. "By excluding the provender for cattle," said Cobden, "and at the same time admitting foreign cattle duty free, you are giving an example of the greatest absurdity and perversion of common sense which was ever seen." Cobden pointed out to the farmers that, in fact, they rarely got the price which the existing Corn Law assumed to be that which was due to them. "The price of wheat is this day 45s.," he said on 13th March, 1845, "and an expert has told me that, with another favourable harvest, it will be down to 35s. What good does that do the farmers?"

\* Villiers, 25th June, 1844.

The third and greatest class supported by agriculture was that of the wage-labourers. What did they gain, it was asked, from protection, and how would they suffer were it abolished? These people have derived no advantage from protection or high prices of the food which they produced: on the contrary, during the whole of this period they have been the worst-paid labourers in the country. The whole of the net profit, after the farmers have had their share, has gone in rents to the relatively small class of landowners; there has been no rise in wages when the money returns from agriculture have been high. Agricultural wages are so low that they cannot be reduced; agricultural labourers will gain by a reduction in the price of bread. It is possible, certainly, that a fall in prices may cause some of the poorer land to be taken out of arable cultivation, and so diminish the demand for labour; but the loss of this demand will be far more than outweighed by the new demand which will arise in every branch of manufacturing and mining labour. Convincing and melancholy figures could be, and were, produced to show how little the agricultural labourers had gained under protection. Cobden's statement was probably correct when he said that, in the South of England, rural "wages computed in terms of food" (*i.e.*, compared with prices) "have certainly declined since 1790, while rent has progressed from 200 to 250 per cent." He added:

"Mind, I don't pretend to decide whether, with free trade, rents might not have advanced even five-fold, but I do contend that, under those circumstances, the increased value of land could have only followed the increased prosperity of every portion of

the community, and, so long as you maintain a law for enhancing prices by scarcity, and raising artificial rents for a time, and by most suicidal processes, out of the privations of the consumers, you must not be surprised if you are called upon to show how the system works upon those for whose benefit you profess to uphold the law."

Some figures from a pamphlet written by a well-known statistician of that period were quoted by Lord John Russell in the debate in May, 1845, in order to show that rural wages did not rise with prices in the same proportion as that in which they fell with them. No fact seems to have influenced more strongly the mind of Sir Robert Peel. The figures are as follows :

Year.	Average Price of Wheat.	Average Wages of an Agricultural Labourer.
1792 ...	42s. 3d.	8s. 6d.
1795 ...	82s. 0d.	8s. 6d.
1801 ...	118s. 3d.	10s. 0d.
1803 ...	53s. 6d.	9s. 6d.
1834 ...	46s. 2d.	8s. 0d.
1835 ...	39s. 4d.	8s. 0d.
1840 ...	66s. 4d.	10s. 0d.

Where the supply of labour exceeds the demand, and labour is unorganized, an increase in the cost of food may even tend to lower wages, because men under this pressure will accept work on almost any terms. Cobden said : " We assert, and we can prove it, at least in the manufacturing districts, that, whenever provisions are dear, wages are low, and whenever food is cheap, wages invariably rise."

The average agricultural wage has certainly risen

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considerably since the great fall of food prices about the year 1880, but this seems to be a result of the great decline in rural population due to emigration to towns or to lands beyond the sea. In 1845 there were, it was estimated, 960,000 agricultural labourers in England and Wales.

If, then, the farmers do not really gain as a class, and some of them lose through protection; if the agricultural labourers rather lose than gain, in whose interest is the system maintained? Solely, it was contended, in that of the landowners, a relatively small class of rich people, many of whom, it is true, do useful unpaid public work, but of whom many also lead useless lives and spend their income in vain, or injurious, pleasures. Numberless speeches were made in the country of the type which John Bright made in the House of Commons in June, 1844. "You may shuffle and evade the question; you may deny our facts and disregard our arguments, but this you will never disprove, that this Corn Law which you cherish is a law to make a scarcity of food in this country, that your own rents may be maintained." So too Villiers said that the sole real object of the Corn Laws was to "raise the price by limiting the amount of human subsistence." "The question," said Cobden, "simply is, how far it is just, honest, and expedient that any tax whatever should be laid on the food of the people."\*

Arguments used on political platforms in free countries tend to expression in the simplest possible form, and this simplification was dangerous. Social revolution was rumbling underground in every country in Europe, premonitions of the volcanic

explosions of 1848. Revolutionists in England could easily lead on the argument from the question why a law should protect the rents of landowners to the question why individuals should own land at all. The Whig leaders were more sensitive to popular feeling than were the Tories, and it was their tradition to break a coming storm by timely concessions. Landowners and aristocrats, they were anxious to preserve the territorial constitution of England, to which their own position was due. They did not really believe that the then remaining protection to wheat made much difference either to prices or to rents, or that its removal would materially benefit the consumer or injure the landowner, but they wished to remove a grievance which might lead to bad results. One of them, Lord Howick,\* said that the Chartist-Radicals would not join in the movement against the Corn Laws, and interrupted free trade meetings, because they thought that, if the Corn Laws were repealed, they would lose a useful means to revolutionary ends. "They believed that, if the Corn Laws were first repealed, they could no longer hope for any support from the middle classes, but that, if the Corn Laws cannot otherwise be got rid of, the middle classes will ultimately join them in their assaults on the present Constitution."

Not because the existing Corn Law actually made corn scarce and dear—its effect upon the price was doubtful, and probably slight—but because it was the popular belief that it made corn scarce and dear in order to increase rents, the Whigs wished to abolish it or to substitute a fixed duty. Lord Howick said

\* 25 June, 1844.

(10 May, 1843) that the first and most natural view of the Corn Laws was that they were *intended* to make corn scarce and dear, and they were defended on the ground that, though this was their apparent object, it was not their real one, and that, in the long run, they were in the interest of the consumer as well as of the producer. *Even were this true*, he went on, *it was "impossible to convince the people that it was so, in face of the immediate effect and apparent object of the laws."* “However just your argument may be, and however well founded it may appear, you will never be able to persuade the people that there is not some sinister object at the bottom of your support of those laws. . . . If, then, this popular and middle class persuasion be rapidly gaining ground, I ask any man of reflection, and putting aside all party considerations, whether this must not be attended by the most serious consequences to the institutions of the country? Can the institutions be safe if they do not stand in the confidence of the people, and is anything so calculated to undermine them as such a belief? Can anything tend more to alienate the different classes of the community from the Legislature, and can anything be attended with more fatal consequences?” Landowners, he said, should consider two things: firstly, whether they could hope, by defending, to maintain the existing law; and, secondly, whether, supposing they could do so, it was an object worth all the bitterness which a successful defence would involve. Lord John Russell finely summed up the Whig view when he wrote in his famous Edinburgh letter of 22 November, 1845: “The struggle to make bread scarce and

dear, where it is clear that part, at least, of the additional price goes to increase rent, is a struggle deeply injurious to an aristocracy which (this question once removed) is strong in property, strong in the construction of our Legislature, strong in opinion, strong in ancient associations and in the memory of immortal services."

The Whig notion was that in view of the increasing numbers and wealth of the population, and the limitation of sources of foreign supply, the repeal of the Corn Law would not, after all, make much if any difference to prices or rents, but that the landed classes, including the great and small Whig houses, would not be exposed to popular hatred and dangerous attacks in connection with any high prices which should recur. Such were the views of the sagacious and practical Whigs. The Whig temperament is that of the man, cool-headed and rather phlegmatic, relatively free from domination either by theory or passion, who stands between the hot-blooded Tory on the one side and the hot-blooded Radical on the other, and moderates as well as he can. It was Sir Robert Peel's own temperament. In his heart he agreed with the Whig reasonings, but pride ruled his will. He would not adopt the proposals of his temporizing adversaries, nor yet could he resist the dominant tide of things. If the thing had to be done he preferred to do it in his own way, and once for all and not by halves.

#### IV

The Tory party was built mainly of men honestly convinced and strong in feeling, but ill-educated

and almost inarticulate in speech. The defence was sustained by the Prime Minister and two or three of his colleagues, without much effective aid from the rank and file. The Ministers ablest in debate were Lord Stanley, Mr. Gladstone, and Sir James Graham. Lord Stanley was a genuine protectionist, but Sir James Graham shared, and by sharing increased, the misgivings of his chief. Mr. Gladstone followed suit, and those who heard these last two Ministers could see that they spoke ex officio and without conviction of the validity of the arguments used to defend the Corn Law.

First came the old contention that the dwellers in the British Islands should be able to feed themselves, or very nearly so, from their own territory, and that, with this object, encouragement should be given sufficient to maintain an adequate acreage under corn. This, as has been shown, was the ancient national policy. It was well expressed in the Report of a Select Committee so lately as in 1833, who said :

“ The political considerations which weighed with the Committee of 1821 remain unchanged; and if it be not prudent to run the risk of rendering the dense population of these islands in a great degree dependent on the supply of bread-corn from abroad, the protection now given to corn grown in the United Kingdom may be justly regarded as an insurance against famine, and against the danger of that reliance on foreign countries for the staff of life which might be found inconsistent with the safety and permanent interests of the people, and ultimately fatal to our national independence.”

The nation was, possibly, to spend somewhat more than necessary on this food in time of peace,

as an insurance against the chances of famine in time of war. A speaker in Parliament quoted the Roman historian who says that on one occasion when prices were high an official inquiry was made as to the amount of corn in stock in the city. It was ascertained that the existing supply would only feed the people for fifteen days.\* The Roman writer adds : " By the goodness of the gods, and the temperate character of that winter season, the want was warded off. But, by Hercules ! formerly provisions were exported from Italy into distant provinces. Now our soil is not less fertile, but we prefer to import corn from Africa and Egypt, and the life of the Roman people is entrusted to ships and chances (' navibus casibusque vita populi Romani permissa est '). " If the Corn Laws were repealed, it was suggested, the same thing might come to be true of the life of the English people, as in fact it now is, so far as regards chances of war, though not, owing to steam transport, of wind and weather. Sir Robert Peel in the earlier years of his Administration still urged this argument. He said in 1842 (9th February) :

" It is of the utmost importance to the interests of this country that we should be, as far as possible, independent of foreign supply. By this I do not mean absolute independence, for that, perhaps, is impossible . . . but it is of importance in a country like this, where the chief subsistence of the labourer consists of bread, to take care, if we resort to foreign countries for supplies, that those supplies should be for the purpose of making up deficiencies rather than as the chief source of subsistence. . . . It is of the

\* The Royal Commission on Food Supply in Time of War reported that, in seven years out of the eleven preceding 1904, the stocks of wheat and flour in the ports were less than 2½ weeks' supply during 102 particular weeks, and that the total amount in the country often fell below 7 weeks' supply.

highest importance for the welfare of all classes in this country that the main sources of the supply of corn should be derived from domestic agriculture, while any additional price which you may pay in effecting that object cannot be vindicated as a bonus or premium on agriculture, but only on the ground of its being advantageous to the country at large."

Or, as he said on another occasion,\* " You ought to draw your supply mainly from your own soil, and not expose yourselves to the hostilities, to the caprice, or to the failure of the crops of other countries." This view had not been confined to the Tories. Lord John Russell himself, in his essay called " Memoirs of the Affairs of Europe since the Peace of Utrecht," following on the whole the doctrine of Adam Smith that defence is more important than opulence, had written that the " first rule on the subject of trade is to allow a general freedom of commerce, but to this rule there must be one exception made, viz., when the protection of the manufacture of a particular article is necessary to the strength and greatness of a country, economical reasons must then give way to political, and some wealth must be sacrificed to security and independence."

Did the " staff of life" fall within this rule? German statesmen still adhere to the principles laid down by the Committee of 1833 and by Sir Robert Peel in 1842, but as the growth of population and manufactures now makes the import of food to some extent, and raw materials to a large extent, necessary, that Empire is being driven, as we were driven, to the creation of a costly war navy to protect sea communications. Mr.

\* 15 February, 1842.

Winston Churchill lately said that a powerful navy is a vital necessity to England but a luxury to Germany. The latter part of this statement is not true now, and every year is becoming less true. The idea that a nation ought to be able to feed itself, not by purchasing foreign food with its manufactured goods but by producing food on its own soil, is still held in most civilized countries, and in the "forties" was universal. The President of the United States said in his Message to Congress in 1840: "No means of individual comfort is more certain, and no source of national prosperity is so sure, as agriculture. Nothing can compensate a people for a dependence upon others for the bread they eat." The President was following almost exactly the words of Adam Smith, who wrote that "Of all the sources of industry the one most conducive to our national wealth, and our national greatness, and the one to be regarded as superior to all others, is the agricultural interest, in reference to its bearing on the wealth, the independence, and the happiness of the country at large."

The answer made by Liberals like Macaulay to the argument from national security has already been stated. No doubt to an England still confident and exulting in her gloriously won and still unquestioned supremacy on the seas the argument sounded unreal, unconvincing, and hollow. It was then a ghost from days when that supremacy was never certain, nor did Sir Robert Peel and his colleagues use it often or press it far. It is, however, a ghost which, we now can see, may resume flesh and blood in days soon to come.

A second argument connected the Corn Law with

the colonial system. If protection were withdrawn from corn it could not be maintained, it was said, in respect of timber, sugar, or the numerous other articles with regard to which colonial produce received a tariff preference over foreign. The system had been greatly extended in 1842, and, under the Act of 1843, virtually free entry had been accorded to Canadian corn. If now free admission were granted to foreign corn, and, as an ultimate consequence, to all other foreign produce, except a few articles reserved for revenue purposes, all this fine edifice of inter-imperial preference, so recently reconstructed and enlarged, must fall to the ground.

Sir Robert Peel, in his very character-revealing speech made in defence of the Corn Law on 12 May, 1843, said that if the Liberals abolished the Corn Law they must, on their own free trade argument, abolish all other duties "savouring of protection." "But," he continued, "the next consequence that flows from the adoption of this resolution is the immediate subversion of the whole colonial system. You must consent to subvert at once the whole colonial arrangements so recently made. . . . At present our manufactured goods are admitted into Colonies on a footing more favourable to us than to foreigners. Whether wise or not, this is the nature of our colonial connection. This country said to the Colonies, 'I will be responsible for your security and internal order, and the return I ask for is the favour and privilege of the admission of my manufactures.' This is granted, and for this we give the Colonies corresponding advantages. This is the system which has endured for years; it is a system that may be unwise, and contrary to

sound principle in the abstract, but would any sane assembly of legislators, knowing the extent of our Colonial Empire, consent, by the adoption of the resolution, at once to subvert, without delay or consideration, the whole of that system? Have you who support this resolution considered the effect the adoption of its whole principle would produce upon countries like India and Canada?"

Conservative speakers contended that the colonial system was worth preserving, even at the cost of a certain amount of foreign trade and, possibly, of some cheapness of goods in the home market. Lord Colchester, in the House of Lords, said \*:

"With respect to buying in the cheapest market and selling in the dearest, that, no doubt, is a good maxim, but there is another quality in a market that is valuable, and that is certainty. Our commerce with foreign countries may be ruined by a hostile tariff or a war, but we have always the control over the markets of our Colonies. Again, in dealing with foreigners, we share the benefit with them, but, in dealing with a Colony, both the parties who profit by the transaction are subjects of the Crown. Colonies are the great nurseries of our seamen in case of a foreign war; the trade employs half a million of British tonnages which might be paralysed by the removal of those duties hitherto considered necessary for its protection."

This view partly rested on the idea that the Navigation Laws would be maintained, and partly on the idea that we should retain control over the fiscal policy of our Colonies, or that, even if they obtained complete power over their own tariffs, they would never protect against us. Charles Buller, a Liberal who knew a good deal about colonial matters, made

a speech in 1843 \* advocating promotion by Government of emigration to the Colonies. One of his arguments shows that he believed that no Colony would ever protect its industries against the mother-country. He hoped, he said, that foreign countries would imitate the example of free trade which we had begun to set.

"But still we are not sure how soon this effect may be produced; how long an experience may be required to convince our neighbours of the injurious operation of monopoly; or how soon, or how often, the policy of protection may reappear in some shape or other, whether finding favour with the fantastic minds of statesmen or the capricious feelings of nations, or dictated by political views totally independent of merely economical considerations. But of the Legislature of your own Colonies—of the fiscal policy of your own Empire—you can always make sure, and may rely upon being met by no hostile tariffs on their part. . . . The commerce of the world is narrowed now not only by our own legislation but by that of other Powers, the influence of restrictive views is extending and acquiring strength among them. Within the last few years no less than eight hostile tariffs have been passed against us, more or less narrowing the demand for our manufactures."

He urged then that we ought to "be continually creating and enlarging those markets which are under the control of no legislation but our own," and said that, if the game of restriction must be played, none could play it with such effect as the British Empire, which, lying as it did over a wide range of climates, could easily be self-sufficing. This we had done, Buller continued, or could do, by placing our own people in different portions of our own dominions; "secure that, while they remain

subjects of the same Empire, no hostile tariff can by any possibility exclude us from their markets ; and equally secure that when they shall have outgrown the state of colonial dependence, and nominally or practically asserted, as they will do, a right to legislate for themselves, our hold on their markets will be retained by that taste for our manufactures which must result from long habit, and by that similarity of tastes and customs which kindred nations are sure to have."

Few men had clear conceptions as to the future of the Colonies. Notwithstanding the recent emancipation of Canada, Englishmen, Whigs as well as Tories, were under the influence of the old ideas. Both parties thought that, in the future as in the past, the Colonies would either be obliged to follow the system dominant in England, whether protection or free trade, or would, at any rate, choose to do so. Free-traders like Charles Buller always assumed that free trade would be imposed upon, or adopted by, Colonial Governments in the future, just as protection had been imposed in the past. What has happened, in fact ? Free trade (with revenue tariffs only) has been so imposed upon India, the Crown Colonies, the Protectorates, which remain under the ultimate control of Whitehall, while self-governing dominions have adopted such protective duties against England and the rest of the world as suited their policy, but in recent years have begun to treat English manufacturers better than those of outside nations. At present the "British Empire" consists of a free trade Empire controlled from Whitehall and allied with certain protective States who recognize the headship of the Imperial Crown.

Another argument much used by Conservatives was this, that, at any rate, we should not extend free entry to foreign produce, especially corn, until we had made sure of reciprocal treatment by foreign Governments.\* The free-traders said that the shutting out, so far as it went, of foreign corn limited the export of our manufactured goods, that if we imported more corn we should export more goods to pay for it, and that, under the existing system, we both discouraged our own manufactures and encouraged other nations to manufacture for themselves instead of buying our manufactures with their corn. Ultimately these nations might build up manufactures which would amply supply their own markets, and run hard against ours in neutral markets. "In these days of easy intercourse," said Lord Howick, "it is perfectly monstrous that the labourers of England should not be able to obtain from countries where land and corn are superabundant that food which they could not obtain by the cultivation of the soil of their own land, in exchange for the goods which they could so advantageously manufacture, and of which the corn-growing countries are in need."† So, too, Lord Fitzwilliam said pithily, "By keeping out American corn from Sheffield, the manufacturers of Sheffield have been kept out of America." This argument was of a kind suitable not only for use in Parliament and

\* Adam Smith (Bk. IV. ch. ii.) said that "there may be good policy in retaliations of this kind, when there is a probability that they will procure the repeal of the high (foreign) duties or prohibitions complained of." But he added that to judge whether such retaliations are likely to be effective "does not, perhaps, belong so much to the science of a legislator, whose deliberations ought to be governed by general principles which are always the same, as to the skill of that insidious and crafty animal, vulgarly called a statesman or a politician, whose councils are directed by the momentary fluctuations of affairs."

† 28 May, 1845.

high-class newspapers but for popular platforms, and it was most effectively used in the North of England. Do away with the Corn Laws, it was said, and workmen will get, not indeed higher wages, but cheaper food and more employment. The Conservatives said in reply, You promise increased exports of manufactured goods, but what guarantee have we that foreign States will lower their duties upon our manufactured goods if we lower or abolish our duties upon their food-stuffs? Even assuming it to be our interest that corn should enter free, yet, before abolishing our duties, we ought to secure by treaties that foreign duties upon our goods should be lowered or abolished. Why throw away our means of obtaining this? In the interests of free trade at large we ought not to do so. So far, it was said, all that we have seen is a continuous rise in the tariffs imposed upon our manufactures by the United States, the German Zollverein, France, and other nations. Recent relaxations in our own tariff have not abated this process. A speaker in a Corn Law debate of 1845 remarked :

"A great deal has been said on the abstract principles of free trade, and we may admit that, if a perfect system to that effect could be established, protection either to agriculturists or manufacturers would be unjust. But there is not the slightest hope that such a system of complete reciprocity can ever be established : on the contrary, every relaxation in the commercial code of this country is followed by restriction on the part of foreign countries."

If this hope of complete international reciprocity were baseless, those who contended that the protective system should be maintained for the purpose, at any rate, of counteracting the duties imposed in

foreign countries upon British goods, could quote Adam Smith, who wrote (Bk. IV. ch. ii.) that "to impose duties upon foreign for the encouragement of native industry, when burthens are laid upon it by foreign nations, is one of the cases in which it is advantageous to protect in this way the home productions." Sir Howard Douglas did quote this passage (13 February, 1847), and added :

" Adam Smith's observation is obviously true. Protecting duties on one side destroy the equivalent expression ; it is like expunging a value from one side of an equation, without compensating for it on the other. The foreign consumer will not pay more for a British than for a domestic article of equal quality. The exporter cannot pay the rival duty, for, if so, he would sell at a loss, or be undersold by the foreign rival ; therefore, to compete with foreign protected markets, British articles must be produced so much cheaper as to enter into the competition. The cost of production must therefore be reduced. This is most immediately and readily done by reducing the wages of labour." \*

Sir Howard Douglas also quoted passages from the speeches of Huskisson, a Tory Chancellor of the Exchequer, who had always been respected and cited by the Whigs. In 1825 Huskisson had said :

" Do not let us be in a hurry ; let us look at all the bearings of the case. We are willing to throw open the trade of our Colonies to the United States, provided they meet fairly the propositions held out in our Acts. But if, after such deliberation, it were deemed necessary, or we should be forced, to retaliate, I should advise the House to adhere to it with firmness."

\* Within certain limits, cost of production can be diminished, not by reducing wages, but by improving machinery, which may, it is true, displace labour. Trade unions, by making it difficult to reduce wages, have probably stimulated mechanic invention.

In another speech (8 April, 1826) Huskisson had said :

"It is the first and paramount law of every State to provide for its own safety and defence; we will never listen to a theory which, by withdrawing protection from the colonial trade, would render insecure those possessions on which essentially depends the power of Great Britain to retain that high station in the rank of nations which she owes to her commercial and colonial ascendancy; and least of all shall we listen to the representation of States which evince boundless jealousy of our navigation in peace, and of our maritime ascendancy in case of war; and who tell us distinctly that they are steadily looking to the ulterior object of one day disputing with us the dominion of the seas."

Reductions in the British tariff upon foreign goods since 1842 had certainly been followed by successive rises in foreign tariffs upon British manufactures, and the free-traders had some difficulty in meeting this argument. They did so by a profession of credulous optimism. They assumed that other States, controlled by the interests of their own consumers and producers, and impressed by the prosperity which free trade would bring to England, would before long follow our example. "Let us," said Lord John Russell (3 June, 1844), "adopt true principles ourselves, and, if they make the nation flourish, although our maxims may have no effect upon other nations, they will see that our measures have promoted our welfare. It may then be expected that they will adopt similar measures, and similarly thrive," and then, said he, "we shall have plans for diffusing trade, for rendering peace more beneficial, and uniting in one brotherhood the nations of the world."

It was not so easy to see then as it is now that

a policy which at a given moment of history was to the advantage of a risen nation, might not appear to nations striving to rise the best policy for themselves. The Liberal view was clearly stated by Mr. Ricardo and Lord Howick in the debate of 25 April, 1843. Ricardo maintained, that if we freely opened our markets to the goods of other countries, their producers would observe that the import duties which their own Governments placed upon British manufactures prevented them from taking free advantage of the now open British markets. The protective duties would prevent British payments being made in the form of goods for purchases, and so would hinder sales to England. Then these producers would bring pressure to bear upon their own Governments to repeal these protective duties. Lord Howick said: "The question is really reduced to this: how far it is safe to go in retaining legislative restrictions on trade, and what is the mode in which we can proceed? It is now settled that unrestricted intercourse is desirable, and the question is, what is the safest and most practicable mode of arriving at that result." He entirely differed from "a notion which very generally prevails, even amongst gentlemen who are favourable to the policy of free trade, that we should not abolish our high protecting duties unless we can prevail on other nations to proceed on the principle commonly termed one of reciprocity. . . . All being agreed that it is desirable that trade should be relieved as well from our own laws of restriction as those of foreign countries—is it the best mode to adopt, in order to arrive at this result, to make the removal of your excessive duties on importation a matter of negotiation, or will you, without waiting

for the decision of foreign countries, proceed to take the lead, and make the reductions which you think safe and desirable in your own duties, without reference to what they may think proper to do?" Lord Howick said that all we ought to consider was: "What duties are necessary to raise the revenue . . . with the least possible pressure on the people." He quoted Sir Robert Peel, who had said in 1842: "Make every possible effort to obtain reciprocal advantages from other countries; but if you fail, you should not refuse to buy in the cheapest market and sell in the dearest, for the purpose of punishing other countries."

"Hitherto," said Howick—

"we have gone on another principle. The whole of our commercial policy rests on the assumption that our export trade is more valuable than our import trade. . . . The whole failure of our commercial negotiation rests on this assumption, which is a complete delusion. It is the remains of the old doctrine of some hundred years ago, that the great object of national exertion ought to be to secure what was termed a favourable balance of trade. The childish notion was generally entertained that the only profitable trade was one in which our exports exceeded our imports, by which a balance payable in the precious metals were secured. In accordance with this view every nation directed its efforts to increase its exports and to diminish its imports, but now every gentleman of ordinary education has utterly abandoned this theory. It is no longer believed that the supposed balance of trade is the great object of national interest; all are aware that the great advantage of trade consists, not in what we send out of the country, but in what we receive. It is the addition which trade makes to the necessities, the comforts, and luxuries of the people that renders it really beneficial. The export trade is valuable no doubt, but it is not as the end but as the means of paying for the commodities placed at the disposal of the people."

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Lord Howick remarked that the policy of attempting to obtain reciprocity from other States had long been pursued by our diplomacy without material results, and that if we waited for this before embarking on free trade we might, like the rustic who waited for the river to flow by, wait for time without end. He was, therefore, for waiting no longer, and added : " I am firmly persuaded that by adopting this honest, this manly course we should set an example which would speedily be followed, and the result would be that in a few years the hostile tariffs would cease to exist among a majority of foreign nations."

The free-traders supported this sanguine hope by quoting from speeches occasionally made in the United States. A favourite quotation was one from a delusive Secretary to the United States Treasury, who said in 1841 :

" So long as the policy of other countries shall continue to exclude the products of our agriculture from their ports, and thus deny us the advantage of a fair reciprocity in trade, it would seem equally the dictation of policy and justice to our people to secure for them, so far as may be reasonably and properly done, a market for the consumption of their produce in their own country."

Conservatives suggested, predicting truly, that these hopes were delusive, that the Americans believed that internal pressure in England would bring about free imports of corn without any concession to English manufactures on their own part, and that when we had abolished the Corn Laws they would continue to maintain their barriers against our manufactures. The Germans of the Zollverein were endeavouring to build up their own manufacturing

industries, with a view to more complete and many-sided national strength, and would probably follow the like policy. A Conservative, Colonel Wood, quoted in the House of Commons in 1843 a letter from an American correspondent, who said :

"The movement on your side in relation to lower duties is too late ; besides, our people know from the discussions on the subject that the admission of corn, timber, etc., at more favourable rates is a policy forced upon you by circumstances independent of any regard to the principles of free trade. If such be the case, they say that we shall have access to you for those articles whatever may be the terms of our own tariff."

In international commerce the country which supplies necessaries of existence has an advantage in bargaining over the country which supplies articles of manufacture. The mercantile Tyrians had to make peace with Judea because Judea supplied Tyre with food. Canada, in our own day, with her yet almost virgin soil, is beginning to have the same advantage over the United States of America.

Another argument, more subtle and less suited to popular use, was intended to show that, even if other nations followed not our example, this would not matter. It rested on the doctrine that in some form or another all imports must be paid for by exports. If we allowed corn and other raw produce to flow freely into England it must be paid for by exports of our manufactured goods, not, however, sent necessarily directly to the country from which the corn came. The Earl of Clarendon worked out this argument in a speech made in the House of Lords on the 13th June, 1844. He observed that no country more largely excluded our manufactures than did Russia ; that we exported

to Russia goods to the value of £1,600,000 a year, of which £1,000,000 represented cotton twist; that we imported from Russia hemp, wool, tallow, and timber to the value of £5,000,000. What, then, did we send to Russia to pay the balance of £3,500,000? We sent to Russia "out of our bonded warehouses in London raw cotton, indigo, cochineal, sugar, wine, which we fetch from countries where the raw produce of Russia is not required, and all of which we pay for by our own manufactures which are cheapest in those markets."

This argument, approximately true in the case of a country which derives no income from investments of capital in other countries, is clearly less true of a country which has large capital so invested. It is therefore a doctrine less true of England in 1913 than it was of England in 1845. As things now stand, food or raw produce imported from Russia might be paid for by orders from London upon India or Australia or the United States, or other countries debtors to ourselves, for goods which would otherwise be transmissible to England in payment of interest upon loans made in the past from England to those countries. In other words, our imports from Russia might be paid for by exports from other countries to Russia, which would not, as in Lord Clarendon's theory, be themselves paid for by the export from England to those countries of goods manufactured by English capital and labour *at the present time*, or even in the immediate past. Virtually we should obtain goods from the protecting country paid for by manufactures produced in England, not by existing labour, but by the labour of perhaps twenty or thirty years ago, and then sent out to India, Aus-

tralia, or the United States in respect of loans to make railways or for other purposes in those countries.\* As things stood in Lord Clarendon's time his argument was, probably, much more nearly true than it would now be, since our foreign investments were then incomparably smaller and our total exports and imports were not far from balancing. The doctrine that all imports are paid for by exports is approximately true, but it is untrue to say that all present imports are at all times paid for by exports of goods produced by existing capital and labour. That would be like saying that the whole private income of all Englishmen is the remuneration of their own annual labour. And, just as there is a danger lest an individual living partly or mainly or wholly on income from investments representing the labour of his fathers may find his brains and muscles decay, so there is a danger lest a nation drawing a large part of its income from foreign investments, earned not by present labours and exports, but by labours and exports in earlier times, may experience decay in its energy and productive powers. A nation once mainly consisting of agriculturalists and manufacturers may tend to become a nation mainly consisting of financiers, dividend-receivers, shopkeepers, servants, and producers of luxuries.

The argument that if we take the productions of other nations they must take ours also left out of sight the immensely important fact that, by control-

\* Any one who takes the trouble to study modern figures of the exports to and imports from India (*a*) in regard to the United Kingdom, (*b*) the rest of the world, together with the figures of Indian debt payments and other remittances to the United Kingdom, will see that the process described in the text is now taking place. India mainly exports raw materials used in manufactures, which European States admit duty-free, or nearly so. We can pay for German manufactures sent to England by raw material sent from India to Germany, on, virtually, our order.

ling through their customs the flow of goods foreign Governments can dictate or greatly influence the form of goods in which their people can take payment for their exports to us. If, for instance, protectionist States should close their ports to the manufactures of a free importing country like England, and send their surplus food or manufactures into England, they will be able, by closing some channels and leaving others open, to direct payment from England into exports thence of coal, or half-made goods such as cotton yarn, or they may prefer to import English machinery. In this way the policy of protectionist countries, if skilfully applied by wise statesmen, has powerful influence in controlling the directions of industry in a free trade country. The latter might be compelled to supply the former with raw material, energy in the shape of coal, or machines to be used against its own. Scientific policy might, and probably would, in the end prevail against the individualism which is the essence of free trade, just as the Roman science and art of war for so long prevailed against the undisciplined energies of barbarian tribes. The free trade country might become a "hewer of wood and drawer of water."

The Conservatives argued also that, even if it were admitted that protection to agriculture did not conduce to the highest possible wealth of the nation, it did conduce to the moral and physical health of the nation, and that this was a boon worth paying for. There was the feeling that, as a modern French protectionist has said, "*l'agriculture fait les hommes.*" Effective contrasts were drawn between the life of the old country-side and modern industrial life as

organized in the "black countries" of the North and the Midlands. The free-traders were charged with being a party of manufacturers hunting for profits and anxious to convert merry England into a black country where miserable operatives should live with reduced wages upon cheap foreign food. The Tory squires cheered with loud irony the dark pictures often and truly drawn in the House of Commons of life in the manufacturing districts in days when trade unions were still weak and regulation by law hardly existed, and, since Lord Ashley's case rested upon the statement of such facts, they supported, more heartily than their own Government desired, his proposals of reform in that quarter. Cobden and Bright, and others who represented these middle-class interests, were strongly opposed to factory legislation, and this gave delicious zest to the counter-attack. Things, these cotton-men thought, were certainly not perfect in the manufacturing districts, but would right themselves, if left alone, through the play of economic forces and self-interest better understood. Their aversion to the regulation of trade in the sphere of foreign commerce made them unwilling to admit any merit in the regulation of the conditions of home industry. To admit this would have seemed to them to be almost treason to the fundamental principle of free trade—namely, that the best service which Governments can do to trade is to let it alone. Men who assailed the Corn Laws on the ground, for one thing, that by increasing the cost of food they increased the cost of labour, were not likely to sympathize with an attempt to regulate the hours and conditions of labour. They hurled back also the charge that the Tories took an insincere and hypocritical interest in the con-

dition of the industrial population with which in their long years of power, before free trade questions came to the front, they had never troubled themselves. The condition of the rural population, where the landed aristocracy had power, was, they said, by no means of so Arcadian a complexion as it was represented. Let the squires attend first to their own insanitary villages and starving labourers before they attacked the treatment of artisan populations, who were, after all, yearly rising from the chaos caused by the earlier days of industrial revolution into far more settled and favourable conditions of life. Certainly some of the poems of George Crabbe, such as "The Village" and the "Parish Register," contain sad pictures of the condition of the labourer when squires and farmers were most prosperous.

An argument much used by defenders of the Corn Laws was that local tax-burdens were borne by the owners and occupiers of land in a heavier degree than that in which they were borne by those in other competing countries. To countervail this and ensure fair play, there should, they said, be some duty on foreign corn. It was an argument analogous to that often used at the present day—viz., that since in England there are many limitations imposed upon industry by factory legislation, there should be some protection to industry in the home market against the competition of countries in which such limitations are non-existent, or are less severe; in short, that law-imposed burdens must be countervailed by customs duties. The argument was used especially with regard to the Poor Law, a system peculiar to England. It was also used with regard to the burden of tithes.

Finally, it was urged by those who were entitled to concede the principle of free imports, that the change should be made cautiously and gradually. Under the existing protective system an immense capital had been invested in agriculture, and a great population, comprising all classes, depended upon it for their subsistence. A sudden change, if it were followed by a great fall of prices, might throw much of the less good land out of cultivation and deprive scores of thousands of their employment. A blundering Kentish baronet in the Administration, Sir Edward Knatchbull, once referred incautiously to the mortgages and charges on rural estates, and to the embarrassments in this respect to which a fall of prices would expose landowners—an opening for attack on a small and “selfish” class which free-traders seized with joy.

This “danger-of-sudden-change” defence, upon which, in the end, Sir Robert Peel almost solely relied, was, like so many moderate views of the time, fortified by a passage drawn from Adam Smith. That philosopher had said (Bk. IV. ch. ii.) that when a system of wide-extended protection existed, “humanity may require that the freedom of trade should be restored only by slow gradations, and with a good deal of reserve and circumspection.” For, he said, “Were those high duties and prohibitions taken away all at once, foreign goods of the same kind might be poured so fast into the home market as to deprive all at once many thousands of our people of their ordinary employment and means of subsistence.” Smith, however, gave some reasons for thinking that this disturbance would be less than was “commonly imagined.”

## V

At this distance of time, with the history of prices before and after 1846 fully unrolled, one may fairly think that those, whether protectionists or free-traders, who asserted that the Corn Laws had previously to that date raised or maintained rents, farming profits, and the price of bread, were mistaken, or, at least, very greatly exaggerated the practical effect of those laws. From 1820 to 1880, for twenty-five years before and thirty-five years after the repeal, there were no very material changes in the English prices of corn. During these sixty years they ranged from 50s. to 60s. per quarter, tending towards the lower limit after 1830. Between 1800 and 1820 they had been very high, over 80s. on the average. Between 1880 and 1910 they had been very low, under 40s. from 1880 to 1890, and under 30s., on the average, from 1890 to 1910. The high prices before 1820 were due to the war and the depreciation of currency. The lower prices after that date were largely due to the rise in value of the reformed currency. The sustained prices after 1846 were due in part to the new gold output, and probably still more to the fact that growth of population outstripped developments in world transport and agriculture. The low prices after 1880 were due to the vast extension of world-agriculture and cheapening of transport, to some extent also to the appreciation of gold, relatively to other goods, until, after 1900, the new African output began to take effect.

Immediately before the repeal of the Corn Laws the average annual consumption of wheat in the

United Kingdom was estimated at about twenty million quarters, and something like, on an average of years, the twentieth part consisted of imported wheat and flour. In 1843, for instance, about 1,200,000 quarters came in at a duty under the sliding scale of 14s. ; in 1844 about 800,000 quarters came in at a duty of 17s. After paying these duties importers of foreign wheat could make a profit at the prices fixed by the existing conditions of the domestic supply as compared with the demand, which demand, again, was fixed by the existing population and its existing purchasing power. Had there been no duties the foreign importer would have made more profit, and the revenue would have lost, but it is doubtful whether, in the conditions of production and transport of that time, more corn would have been imported, or that the English price would have been sensibly affected. At a later time, however, when the British population and its purchasing power had increased, and, under the "law of diminishing returns," the expansion of British agriculture had relatively diminished, the absence of duties upon imports had, no doubt, an increasing effect in preventing the rise of prices, and eventually, as the world's agricultural output developed, in actually diminishing them. But it is open to question, or at least difficult to prove, whether the English Corn Laws, *while they lasted*, ever raised the rent of a farm, or the profits of a farmer, or the price of a loaf. *While they lasted* the amount of foreign corn which could come to England was limited in quantity and not very low in cost of production and transport. Railways and huge steamships had not yet unlocked the boundless possibilities of America,

Russia, Australia, Argentina, India. Foreign corn mainly came from northern European countries, where there was a large native consuming population, where the art of agriculture was of an elementary kind, and good and bad seasons nearly corresponded with those in the British Islands. Before 1846 and for years after that date the great bulk of the corn supply of the English market had to be, and was, grown at home; the foreign supply was limited in possible amount and supplementary. Every market price is governed by the dominant source of actual or potential supply. Had foreign corn, during this period, been allowed to enter freely, probably the price of corn would in no year have been sensibly affected. In these days, when the great proportion of corn consumed in England comes from oversea, the position is reversed. The price is fixed by the average cost of production of corn in America, Russia, India, and elsewhere, plus cost of transport to England. The English minority wheat supply must accept the price fixed by the dominant foreign wheat conditions—the average world-price—just as in the earlier days imported foreign wheat was sold at the price fixed by the dominant English conditions. If a law were now enacted placing heavy duties upon foreign wheat, intended to prevent its sale at less than, say, 56s., the price would certainly rush up at once to that level. Before 1846 laws of that kind did not succeed in raising prices to the level below which the more nearly prohibitory duties began.\*

\* No doubt the influence of Californian and Australian gold after 1850 for some years maintained prices at a level which they would not otherwise have reached. It was said that in five years after 1850 no less than 150 millions of gold were poured into Europe. On the other hand, the Bank Act of 1844, by contracting paper currency, had an influence in the opposite

Mr. Herbert Paul, in his brilliant "Modern History of England," has said of Peel that "by the simple expedient of Free Trade he had given the people bread, putting, as Mr. Bright said long afterwards, the Lord's Prayer into an Act of Parliament." A certain sober and solid historian is reported to have said, after looking through Mr. Paul's book, "History cannot be written in epigrams." Certainly things are by no means so simple as epigrams, and the statements of Mr. Bright and Mr. Paul upon these difficult questions cannot be accepted by lovers of accuracy and justice without severe qualifications. But Peel certainly did, by his measure of 1846, dissociate the price of bread in the popular imagination from the rents received by landowners. This was a political service done, against their will, to the landowning class, who also, regarded as a whole, have probably gained more through the rise in urban values than they lost, after 1880, through the cheapness of corn due to the great developments in world-production and means of transport.

direction. The main cause of the sustained price of corn from 1846 to 1880 was probably the existing balance between the growth of population and demand on the one side and the state of development of American agriculture and means of transport by land and sea on the other. Lord Beaconsfield's speech in the House of Lords on the "agricultural distress" on 28th March, 1879, contains an interesting résumé of the main facts in the history of prices in this period.

## CHAPTER VII

### PEEL'S CONVERSION

THE main arguments of the protectionist defence were, we have seen, the necessity of maintaining a substantial independence of foreign food supplies with a view to national safety in time of war, the importance of the Corn Laws in connection with protection generally, and with the recently extended system of colonial, or inter-imperial, preference; the folly of throwing away a powerful weapon by means of which we could obtain reciprocal treatment from other nations; the desirability of maintaining British agriculture with a view to physical and moral national welfare; the equity of some degree of protection countervailing the special burdens upon land; and the danger of suddenly depreciating an industry in which, under protection, so much capital had been invested, and in which so great an army of labour was employed. The case was certainly strong enough to justify the desire of sensible Whigs like Russell to proceed slowly, tentatively, and by one step at a time. Peel, at different times, defended the existing system upon all these lines. But in each successive year he relied less upon the main arguments of national safety and welfare, and rested his case more and more upon the minor arguments—viz., the equity

of countervailing the burdens upon land and the danger of sudden disturbance to vested interests. Peel, in his own later Memoir on the subject, says :

" I had adopted at an early period of my public life, without, I fear, much serious reflection, the opinions generally prevalent at this time among men of all parties as to the justice and necessity of protection to British agriculture. . . . Between the passing of the Corn Bill in 1842 and the close of the Session in 1845, the opinions I had previously entertained had undergone a great change."

During these years Peel hardly concealed the fact that he was, in the abstract, convinced of the superior merits of free trade, and was only held back by considerations of practical policy. The real views of a statesman are indicated in a popular assembly like Parliament—not more by the words than by the manner of his speeches. The Tory squires, slow of imagination, could not until the last moment believe in the possibility of complete surrender. But just as in the "eighties" clear-sighted observers, and those who moved in the more intimate political circles, perceived Mr. Gladstone's drift towards Irish Home Rule long before it dawned upon the intelligence of the whole Liberal party, so did the like observers see the tendency of the mind of Sir Robert Peel. It was observed that he spoke with more vigour and animation when he was combating the prejudices of his own supporters from 1842 to 1845 than when he was maintaining the cause of protective duties against Whigs and Radicals. As early as 1840 Peel had shown that he did not hold the main position of the agricultural protectionists, when he said: "I consider the manufacturing interests of the country to be of more importance to

you " (the agricultural interest) " than any protecting law." When he stated one of the leading protectionist arguments he did so faint-heartedly, and was careful to guard himself from being permanently tied to the principle. So, for instance, in 1842 he said with regard to the argument of reciprocity :

" I will not now enter into the question whether it be or be not wise to make reductions of duties on imports without obtaining an assurance of corresponding relaxations from the countries benefited by our reduction of duty, but I must say that when we make such reductions on articles imported we ought to do our utmost to procure from foreign countries benefited thereby corresponding advantages for England. Nor can I deem it wise to diminish the hope of arranging those relaxations with foreign nations by vastly reducing the duties on articles which form the bases of negotiations."

If he defended the Corn Laws on the ground of national independence and security, he was careful to intimate that he did so rather because this was the opinion of wise statesmen of old than because it was his own conviction. From time to time he said things like this :

" Every one who has considered this subject " (of free trade), " the more carefully he has considered it, the more convinced he has become of its abstract principle, the more unwilling he has been to pledge the abstract principle by an inadvertent application of it to practice."

The more clearly the Opposition perceived these signs of yielding the more eloquently did they address their personal appeals to the Prime Minister. Those of them who were swept away by the enthusiasm for free trade did so in all good faith, while more artful politicians excited the distrust

of his followers by praising the Prime Minister for his incipient good intentions. To the former class belonged men like a usually silent member, Mr. Raikes Currie, who on one occasion addressed a really moving appeal to the Tory chief, conjuring him not to let considerations of party expediency stand in the way of his real convictions. Cobden took a different line. He treated the Prime Minister, not as a statesman of good intentions, but as a timid character who might be frightened by agitation into surrender. He told him in the House of Commons (17 February, 1843) that it was the "duty of every honest and independent member to hold him responsible for the present position of the country." He rejoiced in the manifest effects of his attacks. "Peel," he wrote in a letter, "is looking 20 per cent. worse since I came into the House, and if I only had Bright with me we could worry him out of office before the end of the Session." Again he wrote (23 February, 1843) :

"The thing is on its last legs. The wholesale admission of our principles by the Government must prove destructive to the system in no very long time. The whole matter turns upon the possibility of their finding a man to fill the office of executioner for them, and when Peel bolts or betrays them the game is up. It is this conviction in my mind which induced me, after some deliberation, to throw the responsibility on Peel, and he is not only alarmed at it, but indiscreet enough to let everybody know that he is so. . . . Our meeting last night was a wonderful exhibition. In the course of a couple of months we will have entire possession of the metropolis. Nothing will alarm Peel so much as to have exhibitions of strength and feeling at his own door." \*

\* Quoted in Morley's "Life of Cobden," p. 264.

If Disraeli's portrait of Sir Robert Peel in the, "Life of Lord George Bentinck" is a true one, there was much to be said for Cobden's ruthless tactics.

"Sir Robert Peel had a peculiarity which is perhaps natural with men of very great talents who have not the creative faculty: he had a dangerous sympathy with the creations of others. Instead of being cold and wary, as was commonly supposed, he was impulsive and even inclined to rashness. When he was ambiguous, unsatisfactory, reserved, tortuous, it was that he was perplexed, that he did not see his way, that the routine which he had admirably administered failed him, and that his own mind was not constructed to create a substitute for the custom which was crumbling away. Then he was ever on the look out for new ideas, and, when he embraced them, he did so with eagerness and often with precipitancy; he always carried these novel plans to an extent which even their projectors or chief promoters had usually not anticipated; as was seen, for example, in the settlement of the currency. Although apparently wrapped up in himself and supposed to be egotistical, except in seasons of rare exaltedness, as in the years 1844-5, when he reeled under the favour of the Court, the homage of the Continent, and the servility of Parliament, he was really deficient in self-confidence. There was always some person representing some theory or system exercising an influence over his mind. In his 'sallet-days' it was Mr. Horner or Sir Samuel Romilly; in later and more important periods, it was the Duke of Wellington, the King of the French, Mr. Jones Loyd—some others—and, finally, Mr. Cobden."

Another good observer, who, on the whole, was an admirer of Sir Robert Peel, and had watched him in the House of Commons for some years, wrote to much the same effect; except that he attributes the influence to general and not to individual mesmerizing agencies.

"He had not that order of mind which creates and forces its creations on others. His mind was, on the contrary, a recipient which opened gradually to growing opinions, and became another mind as these opinions got by degrees possession of it. His changes were thus more sudden in appearance than in reality, because they always went on for a certain time, silently, and to a certain degree unconsciously to himself as to the world before they were fully felt; nor were they ever publicly announced till, having passed through a stage of doubt, they arrived at the stage of conviction. His convictions were, moreover, generally simultaneous with those of the public, when the public formed its convictions gradually." \*

These pictures by Disraeli and Henry Bulwer describe the more feminine type of mind, *natura naturata* not *natura naturans*, which is impregnated, conceives, and brings forth. It is the type of mind likely to be the instrument of popular designs under fully democratized institutions. Peel, it is certain, was not an "original and creative spirit," did not possess the "intuitive mind, impervious to argument," or "the aquiline supremacy" which Disraeli once, in a letter to *The Times*, attributed to the Duke of Wellington.† Nor could he hold and lead by the magnetism of personal charm. Guizot, who knew and admired him, says of him that he was "a man of a reserved and unsympathetic character, of cold and awkward manners, able to direct and sway an assembly, but ill adapted to influence men by the charms of intimacy, of conversation, of open-hearted and frank communication; more a tactician than a propagandist; more powerful in argument than over

\* Lord Dalling and Bulwer, "Sir Robert Peel." He thinks that in the case of the Reform Bill the public made up its mind so swiftly that Peel was not ready to change.

† See "Life of Disraeli," vol. ii. p. 109.

the feelings ; more formidable to his adversaries than attractive to his partisans." A man of this kind cannot by personal magnetism seduce his party, as Mr. Gladstone did in the case of Ireland, into new and abhorrent principles ; he can lead them only so long as he does not violently depart from tradition.\*

Croker, in the *Quarterly Review* of September, 1846, after repudiating the idea that the Minister had been inspired by any kind of sordid motive, wrote that it was "an over-cautious and oversensitive ratiocination that reduces him to the level, below his spirit and alien from his taste, of a temporary utilitarian." "If his heart," the Tory writer continued, "were as firm as it is pure, if he were as inaccessible to the delusions and plausibilities of theorists, the hypocritical applause of adversaries, the insidious and interested flatteries of the foreign Press, and the menaces of popular agitation, as he is to either passion, corruption, or any other ignoble motive, if he could trust himself as he requires others to trust him"—he might, in short, "have stayed the revolution instead of accelerating it." This is the hostile view of an old friend and adherent who had been made into an opponent. In one sense Peel's heart was firm and high. When he had been brought to the conclusion that action was necessary and right, whether in Irish or in fiscal policy, he carried it through

\* "A cold, odd man," young Queen Victoria called him when she first, in 1839, came across him in business. Greville calls Peel "cold, reserved, suspicious, and insincere" (*Journal*, 16 December, 1845). But Greville was in Whig society, and hardly then knew Peel personally. Peel was no more "insincere" than most party leaders have to be. He seems to have had a really warm heart under a cold exterior manner, a phenomenon as common, perhaps, as its opposite.

without fear of consequences. He did not dread loss of office. He had enjoyed the full taste of power, and had learned its cost. He had a great fortune. He was haunted by the desire, often deceptive, for more leisure, cherished by every man who likes rural occupations, or literature, or the arts; and Peel had the taste for all three. His share in pulling the labouring oar had been very great, in consequence of his superiority in ability and experience to his colleagues.

Peel's reforms from 1842 to 1845 had shown the strength of his leadership. He had induced reluctant followers to support the imposition of income tax, the reduction of the corn sliding scale, the admission of foreign cattle, the admission of Canadian corn virtually free and of American corn, if it passed through Canadian ports, at what was thought an almost nominal duty. He had made them accept great reduction of duties upon other food-stuffs and upon manufactured and other articles. But in effecting all this he had spent most of the party loyalty with which he had begun his Administration. In 1842 the Tory clubs were already murmuring, and during the next three years the rift widened between the Prime Minister and his followers, while more and more faintly he repelled the free trade assaults upon that sacred citadel in order to defend which he had persuaded the party to abandon, one after another, the surrounding outworks. In each successive speech Peel was heard with increasing coldness by his own side, while he received increasing, if somewhat ironic, applause from the opposite benches. Mr. Gladstone, in conversation, once said that his old chief liked

to be cheered by his opponents. It is the subtle weakness of a man who values his own honesty and sincerity, and it may mislead him like other temptations.

In March, 1844, the Government had in hand a Factory Bill intended to limit the working hours of children. Lord Ashley tried to graft upon the Bill an amendment limiting the hours of adult labour in factories to ten in the day. He obtained a majority against the Government, but Sir Robert Peel made the House reverse its decision, straining his authority to the utmost in order to effect this. He wrote to the Queen (19 March) that the Government opposed the additional restriction on the ground that it would expose manufacturers to a dangerous foreign competition and would lead to a reduction of wages. The Government were defeated, he told her, because "a great body of the agricultural members, partly out of hostility to the Anti-Corn-Law League, partly from the influence of humane feelings, not foreseeing the certain consequences as to the Corn Laws of new restrictions upon labour, voted against the Government." The Russian Ambassador, Baron Brunow, was in the gallery listening to the debate when the Prime Minister obtained the vote ejecting Lord Ashley's clause from the Bill. He wrote to Count Nesselrode (2 May, 1844) :

" Ce résultat est uniquement dû à l'énergie morale que Sir Robert Peel a déployée en cette occasion. Sa discours, prononcé d'une voix forte et male, a produit dans la Chambre l'impression le plus profonde. Jamais, à aucune autre occasion, je n'ai entendu Sir Robert Peel parler avec tant d'énergie. La physionomie de la Chambre présentait en ce moment l'aspect le plus intéressant, et je dirai le plus

\instructif. Il s'agissait du sort de l'Administration. Il s'agissait de plier devant la volonté du Premier Ministre, ou de courir la chance de le perdre. La majorité ministérielle a courbé la tête devant l'homme d'état, dont elle reconnaît la supériorité parlementaire, et dont elle ne savait se priver sans abdiquer elle-même le pouvoir, et sans retomber sous le joug de ses adversaires politiques."

But a victory of this kind was dangerous in a House of Commons where men were still proud and free. Three months later, in June, 1844, the Government were again defeated on an amendment with regard to the sugar duties carried by a combination of protectionists and free-traders, and again Peel compelled the House to reverse the decision. On this occasion Disraeli was in the most open and avowed rebellion, and made one of his bitterest speeches. Lord Howick, referring to these two incidents on 17th June, said that the Government was evidently supported by a party not in sympathy with it on questions of trade and finance. This, he said, was due to the fact that the Tory Ministers, when out of office, had created an impression "that they entertained very different views on commercial subjects to those which, when they were invested with the responsibility of power, they were found to maintain, or, at least, were compelled to act on." These Ministers were, he said, compelled, in office, to avow free trade principles under the pressure of the dominant opinion, but shrank from carrying them into practice. By their disavowal of the principle of protection they displeased the protectionists, and by refusing to act upon the principle of free trade they displeased the free-traders. Lord Howick went on :

"The Government must end this state of things by adopting, decidedly and boldly, one line of commercial policy or the other, by ceasing to halt between two opinions. They must not advance an argument in favour of protection, and then by way of balance argue for free trade in the abstract, but, ceasing to pursue this vacillating course, they must declare themselves decidedly in favour of one principle or the other. . . . What we want, and what the country wants, is a Government acting upon principle, and supported on principle, a Government bound together by strong feelings, convictions, and agreements upon questions involving great public principles. . . . The state of anarchy which now exists with regard to these great political and commercial questions must, if allowed to remain unaltered, materially endanger the interests of the country, while it would bring ruin on the character of all public men."

In debate, a few days later (June 24, 1844), a protectionist member said that he really did believe that the Prime Minister intended to give a "fair trial" to the Corn Law, as amended in 1842 and 1843. The Prime Minister, leaning forward, said "Hear, hear!" loudly and markedly. A subsequent Liberal speaker said that he had been struck by this, "having seldom seen the right hon. baronet manifest much interest in what passed in the House, but so important did he consider this patched-up accommodation with the large body of his supporters that he put himself out of his usual equable course to cheer most vociferously the appeal which had been made to him." In this debate the Whig ex-Chancellor, Mr. Labouchere, said that he believed the Prime Minister was "himself convinced of the soundness of the principle of free trade, and that the open avowal of it was with him only a matter of time." This was dawning even upon slower rural

apprehensions, and the debates of 1845 show the uneasy feelings of the Conservatives. Mr. Miles, member for Bristol, said (March 17th) that he and his friends wished for "a frank and open avowal of what the sentiments of the Government are. An enunciation of the determination of the Government to uphold the Corn Laws as they now exist would do much to pacify the minds of the farmers and to restore confidence in the Administration." Another Tory speaker picturesquely said that lately Cobden, "as high priest of the ultra free trade theory, had led the strain, while the occupants of the Treasury Bench and honourable gentlemen opposite (the official Whigs) had chanted the responses." The feeling among the Tories at this moment is well shown in a letter from London addressed to Thomas Raikes, a moderate Conservative, not himself in politics, but well acquainted with men on both sides in the political world. It is printed in his Journals, published in 1858. The writer, dating his letter 20 June, 1844, immediately after the painful affair of the Sugar Bill Amendment, says :

"Peel's speech produced great indignation and disgust, and everybody (Ministers themselves included) was convinced that they would be in a minority, and of course, if they had, they would have resigned this morning. . . . Nothing can exceed the bad feeling that prevails—the exasperation against Peel for the course he adopted, for the tone he assumed, and the pretensions he put forth. On the other hand he is equally indignant at the treatment he has experienced from his party—the lukewarmness of some, the hostility of others, and the personal animosity of which he conceives himself to be the object, and Graham the same. Then, men of all parties think that he placed matters in such a state that one of two enormous evils was unavoid-

able, either his throwing up the Government under circumstances which made any other next to impossible, or dragging the House of Commons through the mire and making itself disgrace itself a second time. All this has produced such a state of bad feeling and mutual exasperation that this apparently strong Government is now so confessedly weak that no one believes it can possibly linger on long. It seems as if no real reconciliation could take place, or as if the Government could never recover the position they have lost. The truth is, Peel has not the qualities requisite for leading a party, though he has all the talents that are necessary. He is too good for his party."

Disraeli was the demon who inspired revolt in the Tory ranks. His professed doctrines were based on the principles of earlier Toryism. Monopoly and protection had, he truly said, been the policy of the eighteenth-century Whigs : statesmen like Lord Shelburne and the second Pitt had been in favour of wise and prudent relaxation. But this was, he said, a matter for treatment by practical statesmen, diplomats, and men of the world. He objected to the intrusion of doctrinaire and academic theories, and did not believe, he said, that experience acquired in running a cotton-mill was adequate equipment for dealing with great and far-reaching affairs of this kind. In reply to the view that, if all barriers were at once thrown down, everything after a short derangement would come right, he said (25 April, 1843), "Natural philosophers, who deal with principles, dogmatize, but statesmen, who deal with circumstances, must negotiate." Those who held extreme opinions were "apt to think that the Governments of Europe propose to themselves no other objects in their commercial arrangements than the wealth of nations, and totally omit from their

view one of the most prevailing influences, the political considerations. . . . Some Governments, perhaps, propose to maintain certain manufactures as elements of future strength." Disraeli sagaciously chose as his line of battle the position that free entrance to our markets ought not to be granted except to nations which gave reciprocity. This position did not challenge the abstract doctrine of free trade, but left it in the air as a guiding principle of diplomacy and general direction of policy, instead of on earth as a categorical and immediate command of ethics. On these lines he developed his attack upon the Prime Minister on 17th March, 1845. "Sooner or later," he said, "by our speeches, our votes, we must come to the test on this great question—will you have protection or will you have, not free trade, for that is not the alternative, but free imports? . . . Before we come to settle this great question we must grapple with the important point of waging war against hostile tariffs. We must ascertain how far free imports would affect wages and prices in this country; how far again these would operate on the distribution of the precious metals and would affect your power of maintaining your standard of value."

Disraeli blended the exposition of imperial statesmanship with a series of fierce attacks upon the Prime Minister, eternal masterpieces of invective and irony, designed to destroy his prestige and to blow into flame the smouldering Tory rebellion.\*

\* Admirably described in vol. ii. of Monypenny's "Life of Disraeli." Peel, except upon the famous occasion when he referred to Disraeli's application for office, made in 1841, never attempted to meet the Disraelian philippics, except, as Mr. Gladstone once said, remembering these debates, "With a sort of dull righteousness."

He spoke, in one of his speeches of 1845, of the great "Agricultural Interest, the beauty whom everybody wooed, and one deluded. There is a fatality in such charms, and we now seem to approach the catastrophe of her career. Protection seems to be in the same condition that Protestantism was in 1828. The country will draw its moral. For my part, if we are to have free trade, I, who honour genius, prefer that such measures should be proposed by the hon. member for Stockport [Cobden], rather than by one who, through skilful parliamentary manœuvres, has tampered with the generous confidence of a great people and a great party. For myself, I care not what may be the result. Dissolve, if you please, the Parliament you have betrayed, and appeal to the people, who, I believe, distrust you. For me there remains this at least, the opportunity of expressing thus publicly my belief that a Conservative Government is an Organized Hypocrisy." With the ironical cheers of the Opposition were mixed some murmurs of applause from the pleased but astonished true Tory benches.

In this same spirited debate the genius whom Disraeli honoured, Richard Cobden, made that famous speech ending with one of the finest specimens of Anglo-Saxon oratory, his appeal to the country gentlemen who sat opposite: "You are the gentry of England who represent the counties. You are the aristocracy of England. Your fathers led our fathers; you may lead us if you go the right way," etc. Peel, towards the end, crumpled up the notes which he had been taking, and said to Sidney Herbert, who sat next him, "You must answer this, for I cannot."\* Throughout this Session

\* See Morley's "Life of Cobden."

of 1845 Peel was defending himself, with little assistance from any one, from the frontal attacks of the free-traders and the flanking fire directed against him by some of his own party. On the 28th May he said to the Opposition :

"If we are not to gain your confidence on account of the slowness of our progress, and if we are to lose the confidence of those who have hitherto been our friends on account of its rapidity, I do most cordially hope that you will unite in one common expression of want of confidence in the Government. For it is clear that, although you may not in general agree, a Government which has lost the confidence of one party, and has not gained the confidence of the other, is one that cannot satisfactorily administer the affairs of the country."

He added, addressing himself to the free-traders :

"For the satisfactory promotion of the cause itself, it is most prudent, most wise, and most just not to be rash and hasty in your decisions, but to apply a great principle with all that caution and deliberation which shall recommend its adoption to all parties in this House."

Sir Robert Peel, now a long way from his old opposition to Catholic Emancipation, carried through in the Session of 1845 a just and statesmanlike measure framed in the spirit of the Irish policy which Pitt had been forced to abandon. The wise policy of concurrent religious endowment in Ireland was one which most of the best English statesmen, both Tory and Whig, of the nineteenth century themselves believed in, but could never dare practically to propose to the English and Scottish rank and file. Peel's was but a small instalment of that policy, an annual grant from the Exchequer towards

the support of Maynooth College, for the better training in Ireland of candidates for the Roman Catholic priesthood. This proposal was bitterly, fanatically, and most ungenerously resisted, and was made the occasion or pretext for further demonstrations against the Prime Minister in the ranks of his own party. On the 18th April, 1845, that excellent observer Mr. Thomas Raikes wrote in his Journal: "This night the protracted debate on the grant to Maynooth was concluded by a majority of 147, composed of every shade and sect and party in the House." On the 19th he wrote:

"The Peel Government is in great perplexity with this so-called victory. They had only a majority of twelve out of the Conservatives in their favour, while those who voted against them have become their most bitter and irreconcilable foes. On the other hand, they must feel that their new supporters (the Whigs and Liberals) have proffered their temporary aid in direct opposition to all their real feelings and partialities, branding them with inconsistency, jealous of their momentary success, and ready to abandon them at the first crisis, when they can with any decency of principle accomplish their overthrow.

"It is impossible to imagine that a Government surrounded by such peculiar embarrassments can remain in power. The truth is that . . . Sir Robert Peel is now undeniably a Whig at heart. His intentions, I believe, are good, and founded on the conviction apparent enough to all, that the *old* system of the Tory Government is no longer practicable in the present day.

"He stands alone amidst the conflicting elements, not more hated by his new than he is now by his old supporters. The language of the Tory party is more bitter and violent against him than ever I heard in society of the older time from disappointed Whigs against Mr. Pitt. But I do not imagine this to be traced to a No-popery cry. If Sir Robert had left the Corn Laws untouched he would have carried

the Maynooth question by a triumphant majority without a schism. . . . If this measure should really prove the signal for conciliation in Ireland, it may then be said that Peel has done violence to his party in the interest of their safety, and has had the courage to appear outwardly wanting in consistency when he at the same time evinced the highest intelligence of events and situations."

The disagreeable and ungracious attitude of the Whigs in supporting Peel upon the Maynooth question was evinced in a speech made by Macaulay in these debates. He said :

" There is too much ground for the reproaches of those who, having, in spite of a bitter experience, a second time trusted the right hon. baronet, now find themselves a second time deluded. It has been too much his practice, when in Opposition, to make use of passions with which he has not the slightest sympathy, and of prejudices which he regards with a profound contempt. As soon as he is in power a change takes place. The instruments which have done his work are flung aside. The ladder by which he has climbed is kicked down. Can we wonder that the eager, honest, hot-headed Protestants who raised you to power in the confident hope that you would curtail the privileges of the Roman Catholics should stare and grumble when you propose to give public money to the Roman Catholics? . . . There you sit, doing penance for the disingenuousness of years."

Long afterwards, when Peel was dead, Macaulay wrote in his Journal that he remembered how "white poor Peel's face looked" while he was delivering the end of this tirade. The attack was not just, and it was needlessly unkind, since Macaulay agreed with and warmly defended, at severe cost to himself as it proved, the policy of the Maynooth Grant. But such are the ways of party spirit, and

Macaulay had—not, indeed, the cold and calculated cruelty by which Disraeli cut his earlier path to power and renown, but—the cheerful, thoughtless cruelty of a boy ten years old.

One may quote, much to his credit, the letter which Peel wrote to Croker on the 22nd April, 1845. He said :

"The opposition to the Maynooth Bill is mainly the opposition of Dissent in England, partly fanatical, partly religious, mainly unwillingness to sanction the germ of a second establishment and to strengthen and confirm that of the Protestant Church.\*

"Oxford and Cambridge are quiet, well represented by their respective members.

"We have with us almost all the youth, talent, and real influence from public station in the House of Commons.

"Many of our opponents merely yield to the wishes of dissenting constituents.

"Tariff, drought, 46s. a quarter for wheat, quicken the religious apprehensions of some; disappointed ambition and rejection of applications for office of others.

"All this raises a storm on which I look with much indifference, being resolved on carrying the Bill, and being very careless as to consequences which may follow its passing, so far as they concern me and my position."†

Sir Robert Peel in the summer of 1845 stood with regard to his party in the same position as that which Newman at the same time held in the religious world. Followed by a faithful few disciples, he was hated and disowned by some, and distrusted and suspected by more, of his own political host, while in his heart and mind he was converted to the doctrine of the Liberal party, to which he belonged

\* *I.e.*, the then established Protestant Episcopal Church of Ireland.

† Croker Correspondence, vol. iii.

by nature, though birth and breeding had made him a Tory. In the spring and summer of 1845 he may well have thought that since he had already incurred, among his own people, all the unpopularity of a free-trader, he had nothing to lose, and much, in peace of mind and conscience, to gain, by carrying out his convictions to their logical end. He had, for the last five years, attempted to hold his course along the *Via Media*, and was now about to abandon it. There was something lonely, tragic, and, in a way, heroic about his position.

At the end of the Session Sir Robert Peel's resolution to proceed slowly in this great matter was like a tree sawed more than three parts through. Evidently a sudden push or gust of wind would send it over. It was not likely that he would be able to face the prospect of spending another Session in replying to arguments with which he agreed. Three of his most important colleagues, Sir James Graham, Mr. Gladstone,\* and Mr. Sidney Herbert, were in much the same stage of mind. Another leading Minister, who had passed from the Whig to the Tory camp, Lord Stanley, was not. In replying to Lord Howick in June, 1844, he encountered the allegation that the Government, while admitting the principles of free trade, did not carry them out. "If," said Lord Stanley, "the noble lord lays down as an abstract position that where no interest opposes, and where a *carte blanche* can be given, it is better to buy in the cheapest and sell in the

\* Mr. Gladstone, however, was not in the Cabinet between January, 1845, and December, 1845, having resigned on the decision to make a grant to Maynooth College, with which he agreed in practice but disagreed in theory, or had formerly disagreed when he published his book on Church and State.

dearest market, probably no one will dispute that principle. But the science of politics, of managing the affairs of nations, is to know how to apply principles true in the abstract to the conditions and circumstances of the country. We do admit that doctrine in the abstract, but in the application of that doctrine we do not forget that we are not to injure those great interests which have grown up in this country, and in the Colonies."

Lord Stanley, responsible for colonial affairs, adhered to this position while Sir Robert Peel was in full retreat from it, driven by conscience or by despair. As Disraeli said, Stanley, like a Rupert of debate, carried all before him in a brilliant charge, and then returned to find the main position evacuated by his chief and in the hands of the enemy. In all Cabinets the majority of Ministers will follow, however reluctantly, the lead of a chief of power and standing, if he insists, at a crisis. So it was with the Cabinet of Sir Robert Peel in the character-testing autumn of the year 1845. Lord Stanley alone in that Cabinet resisted to the end the surrender of the principles of 1841.

This Stanley, the translator of the Iliad, and, as Earl of Derby, thrice Prime Minister for fleeting terms, was a sportsman and a poet in action. Free and constitutional England has been blessed with chiefs of delightfully varying type, from the days of Harley and St. John to those of Asquith and Balfour. A contemporary observer has well drawn the contrast between Stanley and Peel, and the test shows why Peel could never be a true Cavalier Tory.

"No two men could be more dissimilar than the two

under whose joint auspices the Conservative Government had been formed. Lord Stanley was antagonistic to his chief in every propensity derived from nature, habits, and position. Reckless in his language, aristocratic in his tendencies, rather courting than avoiding contention and strife; above all, haughty and domineering in character, though gay and playful in manner, it was impossible that he should move in comfort under the shadow of a leader circumspect, sprung from the middle classes and having a certain sympathy with their thoughts and feelings, inclined to conciliate opponents, and accustomed to receive from his followers implicit obedience. But what was worse than all was the eternal habit of 'chaffing' which the inconsiderate noble indulged in, and which the somewhat prim and stately commoner could not endure." \*

The contrast between Stanley and Peel was repeated, with differences, by that later between Palmerston and Gladstone.

\* Bulwer's "Life of Palmerston," iii. 184. It was said that Sir Robert was aggravated *d'outrance* by the "chaff" directed against him at a shooting party at Knowsley.

## CHAPTER VIII

### THE REPEAL OF THE CORN LAWS

THE agitation in favour of the repeal of the Corn Law seemed less strong in 1845 than it had been five years earlier. Trade was flourishing and food not dear.\* Greville noted in his Journal that there was little interest in politics, less than he ever remembered : "the world is absorbed by its material interests, railroads, and speculation in its multiform aspects." That year was the very height of the feverish gamble in railway shares ; railway building was being carried on at fullest speed, and there was plenty of employment for labour. But the depressed physical atmosphere of the summer and autumn of that year, one of the wettest on record, must have been favourable to counsels of perfection or despair. Two men, both leaders of a party, most unlike to each other, of hostile principles, and moving in opposite spheres of action, one ghostly and the other secular, Newman and Peel, almost simultaneously crossed the stream upon the shore of which each had stood for the last five years hesitating. Peel could no longer find an honest answer to Richard Cobden, or Newman to Cardinal Wiseman. No conversion, probably, is ever sudden ; certainly, in these two cases,

\* The price of bread per 4lb. on the annual average was, for 1845, 7·5d. In 1840 it had been 10d. In 1860, it was 8·8d.; in 1870, 8d.; in 1880, 7d.; in 1910, 5·9d.

the man converted had, like Saul of Tarsus, long felt the goad which he resisted.

Men who are not obliged by their position to speak or write or lead can find refuge in silence from the necessity of professing a change of creed. But those who are so obliged cannot, beyond a certain point, openly defend a doctrine which has lost all hold upon their minds and hearts, and has there been replaced by its opposite. Peel was an honest man in a false position, and he has never been blamed, nor can be, except on the ground that, for the sake of consistency in party action, he ought not himself to have carried out a great change of policy. He thought, himself, that if he broke a party it was to save a nation.

In the summer of 1845, before the rains, Cobden told a public meeting that Ministers were only awaiting an excuse to repeal the Corn Laws. "They are going to repeal it, mark my words, at a season of distress. That distress may come; aye, three weeks of showery weather when the wheat is in bloom or ripening would repeal these Corn Laws." Cobden's prediction was to be immediately fulfilled, though it was not so much by reason of the effect of the wet autumn on the price of wheat as by its disastrous effect upon the potato crop in Ireland. It was evident in October that this crop, upon which the mass of the Irish people depended, was entirely ruined. The peasants of Ireland, long racked by rents and far too numerous for the soil, had no money with which to buy imported corn-food to take the place of the potato. If a deadly famine were to be averted the Government itself would have to supply the food. It would be absurd that high duties

should be paid upon corn imported by the Government to meet a famine. This conjuncture had to be met by a Prime Minister who was already at heart converted to free trade in corn. He was a religious man, and humane, and the coming distress in Ireland must have seemed to him like a sign written by God across the heavens to confirm his own previous conviction that, after all, Cobden was in the right. Probably, also, Sir Robert Peel was unnerved and exhausted by the strain of his immense work of the last four or five years.

Sir Henry Holland, the London physician who, in the nineteenth century, professionally attended six Prime Ministers, and many other leading men, remarked in his "Recollections of Past Life" that his experience had taught him "how largely bodily temperament has its share, with mental, in the government of the world, and how many anomalous incidents of history may find possible, or probable, solutions in the fluctuating health of the actors concerned in them." Sir Robert Peel had a bad fit of gout in September, 1845, and the Duke of Wellington told Croker that this fit "depressed Peel exceedingly, and I think it had its influence on his mind and on his measures."\* Peel's rapid changes in November, 1845, as to method of procedure, certainly look like evidence of nervous exhaustion. The Duke replying in April, 1846, to Croker, who had accused Peel of acting from fear, wrote that "The influence of fear is certainly very strong ; it acts in secret, and it is difficult to have evidence of it. I cannot doubt that which passed under my own view and frequent observations day after

\* Croker Correspondence, vol. iii.

day; I mean the alarms of the consequences in Ireland of the potato disease. I never witnessed in any case such agony. However, other feelings may have prevailed at the same time.”\* Croker replied that the Duke was not deceived as to the fact, but only as to the cause. “The agony was real and intense, but it was the agony of a man who was deluding and betraying his conscience and his colleagues.” Croker was blinded by his anger. He would have put the matter more truly had he said, “It was the agony of a man who was taking a step commanded by his conscience, but which would, he knew, be held to be treason by many, at least, of his party.” It was the agony of taking a supreme decision, difficult for all men, easiest for a man like a soldier or financier, trained to act under pressure of time and occasion, hardest, perhaps, for a mind trained from youth upward in the parliamentary and administrative habit of avoiding decisions by expedients and compromises and delays, and of accomplishing great transitions by dividing the voyage into small stages. The rebellion of adherents, the taunts or feigned compliments of opponents, the pressure of arguments to which he found no answer, the atmosphere of popular opinion to which he was so sensitive, the sympathy of a colleague or two most akin to his own temperament, his own conscience—all these forces had brought Peel to the bank of the river, and he had to choose whether to cross or not.

“It was impossible,” Peel wrote two years later to Lord Aberdeen, looking back at this time—“it was

\* Croker Correspondence, 6th April, 1846. According to Greville (7 January, 1846) the Duke said: “Rotten potatoes have done it. They put Peel in his damned fright.”

impossible to reconcile the repeal of the Corn Laws with the keeping together of the Conservative party, and I had no hesitation in sacrificing the subordinate object, and with it my own political interests."

This remark is open to the criticism that Peel had committed himself irrevocably while he thought he might carry the party, as he had succeeded in carrying, almost without loss, the Cabinet. His feeling, after the act was done and its consequences revealed themselves, was, as the correspondence with Graham shows, that he had done his best to save the landed aristocracy from a social revolution, had succeeded, and had been repaid with ingratitude and abuse. Against this, with Roman dignity, he folded himself in the mantle of conscious virtue. He was—he wrote to Lord Hardinge after his retirement—enjoying “not only leisure and the blessings of domestic life, but political liberty and independence, freedom from the base servitude to which a Minister must submit who is content to sacrifice the interests of a great Empire to those of a party.” But why, it was sometimes asked, did not Peel take the party as a whole into his confidence and try to persuade them before taking his step? He replied, not satisfactorily, that it was impossible to take the whole party into consultation beforehand, or even any set of leading men outside the Cabinet, “in regard to questions which are intimately connected with great commercial speculations and great pecuniary gains and losses.” Times were indeed changed, he said, since the days when, to ascertain beforehand what the party would do, it was only necessary to consult the Marquis of Hertford, the Duke of Rutland, and the Earl of Lowther.\*

\* Letter to Lord Aberdeen, 19th August, 1847.

The Cabinet, specially summoned to deal with the prospect of Irish famine, met at Sir Robert Peel's house in Whitehall Gardens on the 31st October, 1845. Again they met on the 1st November to consider a Memorandum circulated by the Prime Minister. He proposed to authorize the Lord-Lieutenant of Ireland to appoint a Relief Commission, and said: "It appears to me that the adoption of these measures, the advance or promise of public money to provide food or employ labour, on account of apprehended scarcity of food, will compel the assembling of Parliament before Christmas," and this step, he added, would compel an immediate decision as to whether the existing Corn Law should be maintained, modified, or suspended. If a suspension, should it be done by Order in Council, for which there were precedents, or by Act of Parliament? Peel advised the latter course. He refused to pledge himself to the Cabinet that the Corn Law would be renewed at the end of the period of suspension. The conversation which followed the reading of this Memorandum revealed serious disagreement. The Cabinet met again on November 6th, and had before them a second Memorandum by the Prime Minister proposing an Order in Council opening the ports to all corn at a nominal duty, and that Parliament should be summoned on the 27th November to give a retrospective sanction to this proceeding. The Cabinet declined to assent. Only Lord Aberdeen, Sir James Graham, and Mr. Sidney Herbert supported the proposal. Then exploded from the North Lord John Russell's letter addressed from Edinburgh to his constituents in the City of London. The Whig Leader at last had abandoned

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his proposal of a fiscal duty, and declared for a complete repeal of the Corn Laws. The chance of compromise on the basis of a fixed duty, long offered and refused, was therefore gone for ever. The Cabinet met again on the 25th and 26th November. Instructions to the Irish Lord-Lieutenant were before them, and a third Memorandum by the Prime Minister. He said :

"I cannot consent to the issue of these instructions and undertake at the same time to maintain the existing Corn Law. . . . I think we ought to suspend the operation of the existing Law for a limited period. . . . I am prepared for one to take the responsibility of suspending the Law by Order in Council, or of calling Parliament at a very early period, and advising in the Speech from the Throne the suspension of the Law.

"Suspension of the Law will compel a very early decision on the course to be pursued in anticipation of the period when the suspension would expire.

"Suspension will compel a deliberate review of the whole question of agricultural protection. I firmly believe that it would be better for the country that that review should be undertaken by others.

"Under ordinary circumstances I should advise that it should be so undertaken ; but I look now to the immediate emergency and the duty it imposes on a Minister. I am ready to take the responsibility of meeting that emergency, if the opinions of my colleagues as to the extent of the evil and the nature of the remedy concur with mine."

On the 29th November Sir Robert circulated another long Memorandum giving more facts and arguments, and ending with the same conclusions. The decisive Cabinet meeting was held on Tuesday, 2nd December, 1845, when Peel read a new Memorandum.

In this Memorandum the Prime Minister gave reasons why he could not guarantee continued protection to agricultural produce on the termination of a suspension. Passing to alternatives, he continued: "One's first impression is to admit grain the growth or produce of British possessions at a nominal duty." The difficulty was, he said, that if corn were so admitted from the other British North American Provinces, into which it could pass free from the United States, while in the case of Canada it had to pay 3s. duty on the frontier, a premium would be given to the transit of American corn through those other provinces. If, again, all Empire-grown corn were, whether from North America, Australia, or India, admitted free into the United Kingdom, the effects of the preference as against foreign countries would be increased. "Prussia, the United States, and other countries would complain of this, and with justice: it would be a retrograde policy as to them." They might, Sir Robert suggested, take retaliatory steps injurious to our commerce. He repeated his own fixed objection to the plan of a fixed duty, and so arrived, by a winding path, or process of exhaustion, at his present proposal. His Memorandum continued:

"It would be consistent both with the course I have heretofore taken, and with my present opinions, to propose such a measure as that of which I will give the main outline.

"It will be founded upon the principle of the present law while it continues in operation, but will in the course of that operation ensure the ultimate and not remote extinction of protective duties.

"I will undertake to propose such a law, and should hope to carry it if it meets with the cordial and unanimous sanction of my colleagues."

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After explaining the plan of gradual reduction of sliding-scale duty the Memorandum concluded:

"I should propose that, either by this progressive diminution of duty to be annually continued or at a certain time named in the law, all duties on the import of grain, meal, and flour should be abolished."

Cabinet discussions continued till 5th December. At last all Ministers agreed to support Peel's proposal to repeal the Corn Laws except Lord Stanley and the Duke of Buccleuch.

Sir Robert Peel had thus failed to obtain unanimous consent from his colleagues to the step which he proposed. He then resigned, on 5th December. Lord John Russell was invited to form an Administration. He failed, through one of the usual Whig personal quarrels, because Earl Grey,\* objecting, rather unpatriotically, if he thought the repeal of the Corn Laws so very important, to the proposal that the ex-Tory Lord Palmerston should be Foreign Secretary, refused to accept office. Lord John said also that he had not been able to obtain from Peel as full and definite a pledge as he thought necessary of support to the immediate and total repeal of the Corn Laws (22 January, 1846). Peel was then recalled by the Queen, and resumed office. Lord Stanley declined to join the reconstituted Administration, and his place at the Colonial Office was taken by Mr. Gladstone.

Parliament met upon 22nd January, 1846. The Speech from the Throne spoke of the distress in

\* Lord Howick had succeeded to the Grey earldom in 1845.

Ireland and of the steps which would be taken to meet it. The Queen then referred to the measures which had in previous years been taken "calculated to extend commerce and to stimulate domestic skill and industry by the repeal of prohibitory and the relaxation of protective duties," and to the consequent (a word open to criticism) "prosperous state of the revenue, the increased demand for labour, and the general improvement which has taken place in the internal condition of the country." She recommended Parliament to take into early consideration the question "whether these principles might not be still more extensively applied with regard to the existing duties upon many articles the produce or manufacture of other countries."

It was the English political way of announcing that the great measure of the Session, to which the rest of the programme was incidental, was to be the repeal of the Corn Laws by the party which came into office in 1841 deeply pledged to maintain it. "You," said the Duke of Richmond to the Government, "came into office pledged to protection; you have thought fit to propose an alteration in the Corn Laws; but we say to you, you ought not to carry out such a measure without again appealing to the country." Since a temporary suspension, such as Peel first proposed, would have met the existing difficulty, there was no reply possible to this except the general position that it is for Government and Parliament, and not for the existing electorate, to decide the course of action, a view in favour of which Peel more than once quoted the very strong principle laid down by Pitt, when, without taking the opinion either of the British or the Irish electorate, he intro-

duced his proposal of legislative Union.\* In the debate on the Address Lord Stanley said that there was "one, and one only, subject on which existed a difference between my late colleagues and myself; and that question had relation to the degree, amount, and nature of the protection to be afforded to the domestic industry of the country. Upon that subject a measure was proposed . . . which I conceived to be neither justified by the state of the country nor called for by any change of circumstance since 1842."

Sir Robert Peel, in the House of Commons (22nd January, 1846), explained his resignation and reacceptance of office. The failure of the potato crop was "the immediate and proximate cause which led to the dissolution of the Government"; but he could not fairly attach too much weight to that cause.

"I will not," he said, "withhold the homage which is due to the progress of reason and truth, by denying that my opinions on the subject of protection have undergone a change. Whether holding a private station, or placed in a public one, I will assert the privilege of yielding to the force of argument and conviction, and acting upon the results of enlarged experience," etc.

Peel then went on :

"Sir, those who contend for the removal of impediments upon the import of a great article of subsistence, such as corn, start with an immense advantage in the argument. The natural presumption is in favour of free and unrestricted importation." The presumption was so strong that it could only be combated by "an avowal of some great public danger to be avoided, or some public benefit to be obtained by

\* Pitt said that he thought the idea of a special mandate from the electorate for a particular measure being necessary "was one of the most Jacobinical and pernicious ideas possible."

restriction. We all admit that the argument in favour of high protection or prohibition on the ground that it is for the benefit of a particular class is untenable. The most strenuous advocates for protection have abandoned that argument ; they rest, and wisely rest, the defence of protective duties upon higher principles."

He recited these arguments :

1. That protection to domestic industry is a sound policy, and that therefore agriculture, being a branch of domestic industry, must be protected.
2. That in a country encumbered with a great load of debt, and subject to great taxation, domestic industry must be protected from competition with foreigners.
3. That high prices involve high wages, and low prices low wages.
4. That land is entitled to special protection on account of special burdens.

As Parliament could alleviate special burdens he did not attach much importance to 4, but proceeded to deal with 1, 2, 3.

On these his opinion had "been modified by the experience of the last three years," and he had been led to the conclusion that "the main grounds of public policy on which protection has been defended are not tenable, at least I cannot maintain them."

"I have six years' experience : I have during the first three years high prices and low wages ; I have during the last three years low prices and high wages, and I cannot resist the conclusion that wages do not vary with the price of provisions. They do vary with the increase of capital, with the prosperity of the country, with the increased power to employ labour, but there is no immediate relation between wages and provisions, or if there be a relation it is in inverse ratio. . . . A large debt and heavy taxation are best

countered by abundance and cheapness of provisions, which rather alleviate than add to the weight of the burden."

Peel said that the figures since the reduction of protection in 1842 showed an increase of exports and a reduction of crime. Nor had the total abolition of duties in certain cases lowered the price of the articles relieved, notwithstanding a large increase of imports. Finally, he placed his case upon high political grounds.

"It is not," he said, "inconsistent with true Conservative policy that we should increase the trade of the country by removing restrictions, nor that we should reduce the taxation of the country whilst we increased its revenue; it is not inconsistent with true Conservative policy that we have extinguished agitation and discouraged sedition, not by stringent coercive laws, but by encouraging the idea among the great body of the people that we, the rich and powerful, are willing to take a more than ordinary share of the public burdens, and to remove those burdens from the people as far as it is possible. Sir, believe me, to conduct the Government of this country is a most arduous duty: these ancient institutions, like our physical forces, are fearfully and wonderfully made. It is no easy task to ensure the united action of an ancient monarchy, a proud aristocracy, and a reformed constituency. I have done everything I could do, and have thought it consistent with true Conservative policy to reconcile these three branches of the State. I have thought it consistent with true Conservative policy to promote so much of happiness and contentment among the people that the voice of disaffection should be no longer heard, and that thoughts of the dissolution of our institutions should be forgotten in the midst of physical enjoyments."

The last sentence was aimed at the rebels:

"Sir, I do not wish to be the Minister of England, but

while I have the high honour of holding that office I am determined to hold it by no servile tenure. I will only hold that office upon the condition of being unchecked by any other obligations than those of consulting the public interests and providing for the public safety."

On the 27th January, 1846, Sir Robert Peel laid his definite programme before the House of Commons. The 10 per cent. duty upon foreign cotton piece-goods was to be abolished, and that on made-up cotton goods to be reduced from 20 per cent. to 10 per cent. The 20 per cent. duty on made-up woollen goods imported was to be reduced to 10 per cent., that on the coarser linen goods to be abolished, that on the finer to be reduced to 10 per cent. The duty on silks was to be reduced from 30 to 15 per cent., and no duty upon metal manufactures was to exceed in future 10 per cent. "So that," he said, "with respect to the great mass of manufactures subject to a duty of 20 per cent. by the tariff of 1842, I propose as a general rule that 10 per cent. shall be the maximum duty." So much for manufactured articles. Sir Robert Peel then proposed reductions in the duty upon foreign timber, and in the preference given to colonial and Indian sugar over foreign sugar produced in free-labour countries. The duty upon foreign spirits, a great incentive to smuggling, was to be reduced from 22s. 10d. to 15s. a gallon. The duty upon tallow, almost the only duty then left upon foreign raw material, was to be reduced from 3s. 2d. to 1s. 6d. per cwt. Maize, used for fattening cattle, was to be imported at a merely nominal duty. All duties on foreign meat and vegetables were to be abolished. The duty on foreign butter was to be reduced from 20s. to 10s. per cwt., that on cheese from 10s. to 5s.,

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that on hops from 90s. to 45s. per ton, that on fresh fish to 1s. per cwt.

After these long and dull prefaces, skilfully designed to break the great shock by making it seem but part of a larger whole, he came at last to the corn duty, and said, to a deeply attentive House :

" I have to meet on the one hand those who are for no delay or qualification in the abolition of those duties, and, on the other, those who insist that there shall be no relaxation of the present amount of protection to agriculture. My object will be to submit to the House some adjustment of this question on which both sides may concur. . . . I do not propose that there shall be an immediate repeal of the Corn Laws. But in the hope of preventing any of those evils which might arise from so sudden and important an alteration, and with the view of giving time for an adjustment of those interests connected with agriculture, it is my intention to propose that there shall be a temporary continuance of protection to corn. I propose this arrangement under a distinct understanding that, after the lapse of a certain time, foreign corn shall be permitted to be imported into this country duty free."

He proposed that the corn duties should terminate on 1st February, 1849, and that thereafter oats, barley, and wheat should be subject only to the nominal duty of 1s., which he proposed as immediate in the case of maize and buckwheat. Up to February, 1849, all *grain* the produce of British colonial possessions would be admitted at a nominal duty, and, in all cases, " those restrictions which apply to the import of meal from the Colonies, the produce of grain, shall be removed." Till 1849 he proposed a variation of the sliding scale which would impose a duty of 10s. per quarter when the price of wheat was under

48s., and which would become a fixed duty of 4s. after the price had reached 53s. There was to be compensation by way of relief of burdens on agriculture, as, for instance, for roads, poor-law settlement, draining, share of the Treasury in expense of prosecutions and medical relief, and education in workhouses. Sir Robert Peel could promise no reciprocal treatment by foreign nations. It was, he admitted, the fact that other nations had not followed our example, so far as we had gone, and that some nations had even levied increased duties upon our goods since our reductions began in 1842. Notwithstanding all this our exports had largely increased, to the value of £10,000,000, since that date. "Depend upon it," he said, "your example will ultimately prevail." Even if that did not happen it was our interest to reduce or abolish our duties. Formidable manufacturing competition was arising abroad, and "abundance and cheapness of provisions is one of the constituents by which the continuance of manufacturing and commercial pre-eminence may be maintained."

The debate which followed showed that Peel had failed to carry the support of the majority of his party. Mr. Miles, of Bristol, moved the rejection of the Prime Minister's motion to go into Committee. He observed that when the Government took office at the beginning of 1842 there was a great depression of trade due to bad harvests and over-trading of the last three years.

"It was at that very period that the great experiment of railways had been tested and had been found to answer; we have since seen how far speculation in that direction has gone. Could any one foresee the immense extent to

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which railways have been carried, and the enormous amount of employment they have given to the labour of the country? The effect, I know, has been that in many counties so great has been the demand for labourers that scarcely a labourer has been obtainable."

He pointed out that railway development had also given an immense stimulus to iron-making and coal-mining. He thought that the increased prosperity and revenue was due to these causes, not to Peel's relaxations of protection. "We are," Miles added, "to have, it would seem, free trade. But it will be a one-sided free trade, for all foreign nations are to have the power of inundating our shores with their products, but we shall have no corresponding advantage in return." He said also :

"When we have carried out the free trade principles of the Government, of what use will be our Colonies? Why not have tried the experiment of free trade with them first of all? Treat them in all respects as integral parts of the Empire. Extend to them the principle of the Canadian Corn Bill—permit them to import their corn, grain, meat, and maize, and all other produce, and I will vote with you. Give them some greater benefit than you now propose, and you will draw the bonds of union closer, and knit them more firmly to the mother country. But if you give the foreigner a decided preference over them, for the contiguity of position affects this, you make your Colonies at once a burden upon you, and you not only furnish hon. members opposite, who wish to repudiate them altogether, with a strong argument, but you give them a direct interest to free themselves. You must allow them to have free trade also; you must get rid of their differential duties. You must allow your Colonies to be independent of you and to form commercial connections elsewhere, and you must suffer them to burst asunder the ties which a union of interests would otherwise have tended to cement."

Sir W. Heathcote, seconding Mr. Miles, said that

the legislation of the last twenty years in a free trade direction had

"produced evils far beyond what have been observed, the amount of which has been hidden and the poison neutralized only by the enormous growth of your colonial trade—which has continued as yet to be governed on the antagonist principle, but which you are now seeking to undermine. . . . The real question is whether an enlarged view of national policy does not require us to stimulate national, in which I include colonial, production." If the Government thought the home supply of corn insufficient they "might have depended on our own Colonies. . . . But it is not in this scheme that boons to the Colonies are to be found. On the contrary, you withdraw or diminish all that you have already given. For the first time in our history you avow, or at least you act upon, an anti-colonial policy. You disregard those mighty foundations of your maritime power which Napoleon would have thought cheaply purchased at the price of half the Continent; and by the withdrawal of the substantial advantages which bind them to your distant authority you will yourselves take the first step towards severing the connection."

The debates continued upon these lines between the Prime Minister and his colleagues on the one side and his rebel followers on the other. Naturally, the free-traders were careful not to take much part while this civil war was raging. They sat and enjoyed the spectacle. The protectionists, now led by Lord George Bentinck and inspired by Disraeli, fiercely attacked the new policy as treason to principles, ruinous to the agrarian interest, destructive of the commercial foundations of the British Empire, and as throwing away the weapons by which reciprocal treatment could be obtained from foreign nations. At the risk of boring the reader it is desirable to

quote some passages from the best exponent of the imperial ground, Sir Howard Douglas, the ex-Governor of New Brunswick, who, as a man with real experience of colonial affairs, occupied much the same position in this Parliament as Governor Pownall occupied in that of Lord North's Administration. Douglas dwelt on the fact that the removal of protective duties in England meant the destruction of the system of imperial preference founded upon them—a system already embracing at various points the United Kingdom, India, and the Colonies, capable of wide extension and leading to immense possibilities. He said (13 February, 1846) :

"Can we not find, do we not possess, in our Colonies unbounded resources, rich fields of virgin fertility, from which we may derive unlimited supplies of British-produced food? I had imagined a species of free trade among ourselves, by which we might acquire, freely, the agricultural productions, as well as others, of our Colonies, if we were really to treat them as if counties of this country. There was a right move made in that direction in the passing of the Canada Corn Bill, but this admirable principle is very imperfectly carried out. . . . I have often imagined that it might really be possible to treat Colonies like counties, not only in direct trade with the United Kingdom but in commercial intercourse with each other, by free trade among ourselves, under a reasonable degree of protection from without, and so resolve the United Kingdom and all her Colonies and possessions into a commercial union such as might defy all rivalry and defeat all combinations. Then might colonization proceed on a gigantic scale; then might British capital animate British labour on British soil, for British objects, throughout the extended dominions of the British Empire. Such a union is the United States of America—a confederation of sovereign States, leagued together for commercial and political purposes, with the most perfect

free trade within and a stringent protection from without ; and signally, surely, has that commercial league succeeded and flourished. Such a union, too, is the German Customs League ; and it has succeeded to an extent that is, in so short a time, miraculous. But free trade—the extinction of the protective principle, the repeal of the differential duties—would at once convert all our Colonies, in a commercial sense, into so many independent States. The colonial consumer of British productions would then be released from his part of the contract—that of dealing in preference with the British producer ; and the British consumer of such articles as the Colonies produce absolved from his ; each party would be free to buy in the cheapest and sell in the dearest market. This would be a virtual dissolution of the colonial system.”

This was the voice of a true prophet speaking in vain. To Sir Howard Douglas the Prime Minister made inadequate and dull reply.

“ Any one who heard my gallant friend’s speech would infer that the measures of the Government involve a total subversion of the colonial system. If they pass, there will still be left discriminating duties, considerable in amount, in favour of almost all articles the produce of the Colonies—sugar, coffee, timber, butter, cheese, and various articles of colonial manufacture. But this I cannot deny, that for many years past you have applied to your colonial system the same general principle you have applied to your commercial policy, foreign and domestic. Your rule has been to relax cautiously and gradually the rigour of the colonial system. All the measures of Mr. Huskisson had that tendency. The relaxation was not a one-sided one, favouring the mother country at the expense of the Colonies. You have reduced the discriminating duties on coffee, to a limited extent on sugar, and on other articles of colonial produce, but you have consented at the same time to forego the protection which the produce of the mother country had in the colonial market. You have permitted the Colonies to

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supply themselves from the United States with articles of the first necessity; you have reduced the protecting duties in favour of British as compared with articles of foreign manufacture from 30 to 20, to 15, to 7½ per cent. The ruling spirit which has prevailed for a long series of years in your colonial legislation has been the relaxation of protection, the reciprocal relaxation of it as regards British colonial produce. And has either party been injured by it? It is a mistake to suppose that our colonial system and the attachment of the colonies to the mother country are based upon a system of exclusion and prohibition. Some of your Colonies, the Australian Colonies for instance, derive little benefit from the colonial system, if that system implies exclusive favour to colonial produce. Your colonial relations are perfectly compatible with the just and cautious application of a liberal policy in the commercial intercourse between the mother country and its dependencies."

In a fine closing passage Peel described the natural advantages of England, its extent of coast in proportion to area, its iron and coal, command of capital, the ingenuity, skill, and energy of the people.

"Our national character, the free institutions under which we live, the liberty of thought and action, an unshackled Press, speeding the knowledge of every discovery and of every advance in science, combine with our natural and physical advantages to place us at the head of those nations which profit by the free interchange of their products. And is this country to shrink from competition? Is this the country which can only flourish in the sickly artificial atmosphere of prohibition? Is this the country to stand shivering on the brink of exposure to the healthful breezes of competition? Choose your motto, 'Advance' or 'Recede.' "

Other nations, he predicted, would follow the lead.  
"Prussia is shaken in her adherence to restriction.

The Government of France will be strengthened, and, backed by the intelligence of the reflecting, and by the conviction of the real welfare of the great body of the community, will perhaps ultimately prevail over the self-interest of the commercial and manufacturing aristocracy which now predominates in her Chambers. Can you doubt that the United States will soon relax her hostile tariff?"

Disraeli spoke on February 20th, the eighth night of this great debate. Scornfully he asked the Prime Minister whether he really believed that he could fight hostile tariffs with free imports. Turning his shafts upon Lord John Russell, he said that the Whig leader had "expressed in classic language the usual economical theories on the subject of protection, very valuable no doubt in themselves, but theories which never influenced human conduct, and which are incapable of ever doing so. Therefore all we could admire in the address of the noble lord was the evidence it afforded of his well-read mind."

"There was once in England," continued Disraeli, "a commercial system, founded on principle, definite in its details, and, in a certain sense, beneficial in practice. I mean the colonial system. No doubt it involved some degree of protection to native industry, but this was always auxiliary to the colonial system. . . . In the middle of the eighteenth century our foreign trade was sacrificed to the upholding of our colonial system. There is no doubt that the range of our transactions in commerce was thereby curtailed; but the merchants of England were compensated by more secure markets and larger profits. But at length your colonial system deserted you. You lost your principal Colonies, and then you had to lay down a new principle. It fell to Mr. Pitt to do that. His speeches at the end of

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the eighteenth century are a development of the principles of free trade—a large system of commercial intercourse on the principle of reciprocal advantage."

This tendency, he reminded the House, was resumed after the war by Lord Liverpool, Mr. Huskisson, and then by Sir Robert Peel.

Spain, Disraeli said, was an example of the injury done by prohibitive protection, while Turkey was an instance of the injury done by unrestricted competition. For in the Ottoman Empire "there has been a complete application for a long time of the system of unmitigated competition, not indeed from any philosophical conviction of its policy, but rather from the haughty indifference with which a race of conquerors is too apt to consider commerce. There has been free trade in Turkey, and what has it produced? It has destroyed some of the finest manufactures in the world. As late as 1812 these manufactures existed; but they have been destroyed. That was the consequence of competition in Turkey, and its effects have been as pernicious as the effects of the contrary principle in Spain. You have had the same impossibility of aggregating capital, the same impoverishment of the people." It had always been the policy of statesmen "to maintain a balance between the two great branches of the national industry. . . . Why we should maintain that balance involves political and social considerations affecting the happiness, prosperity, and morality of the people, as well as the stability of the State." He thought that we ought even to give a preponderance to the agricultural side, "because in England we have a territorial constitution, in which you and those whom you have succeeded have found the only

security for self-government—the only barrier against that centralizing system which has taken root in other countries.” If this territorial constitution had to go and this great change had to be made, he hoped that “the foundations of it may be deep, the scheme comprehensive, and that, instead of falling under the thraldom of capital, under the thraldom of those who, while they boast of their intelligence, are more proud of their wealth, if we must find a new force to maintain the ancient throne and immemorial monarchy of England, I, for one, hope that we may find that moral power in the invigorating energies of an educated and enfranchised people.”

The argument in favour of maintaining the territorial constitution under which England had attained to so great a height of glory did not appeal to the Radicals, who hated above all things the feudal constitution, and were not much interested in the national glory, while the Whigs thought that in the abolition of the Corn Laws lay the best chance of preserving that territorial power to which they owed so much. About the same time, on 1st April, 1846, the French statesman M. Guizot said, in the French Chamber, that he was a friend to the influence, and even to the preponderance, of the owners of landed property, and added :

“ I am convinced that interest is the best and most solid foundation for the prosperity and the security of society. I am, then, for my own part, a very sincere and very decided friend of the influence of the agricultural interest in a great country. No one can deny that in England in particular it is to the influence of landed property, of the agricultural interest, to the influence of what people have been in the

habit of calling the territorial aristocracy, that England owes its strength, and a great part of its liberties and its prosperity. England has found in that class what all great nations will find among the same class, when they search for it, the spirit of conservatism and the spirit of independence at the same time, that is to say, the two great pledges of liberty and political power."

Another illustrious and keen-sighted Frenchman, the Vicomte de Chateaubriand, writing, when Ambassador in London in 1822, of the English political world as he had seen it when he was an "émigré" in London before 1800, and comparing it with the present, thought that the power of the English aristocracy was already passing away. The Barons of Magna Charta, he said,

"sont aujourd'hui les fashionables de Bond Street, race frivole qui campe dans les manoirs antiques, en attendant l'arrivée des générations nouvelles qui s'apprêtent à les en chasser. . . . Les idées générales ont pénétré dans cette société particulière. Mais l'aristocratie éclairée, placée à la tête de ce pays depuis cent quarante ans, aura montré au monde une des plus belles et des plus grandes sociétés qui aient fait honneur à l'espèce humaine depuis le patriciat romain."

One may also quote an observation in one of Disraeli's speeches (1 February, 1850) :

"I have always thought it was the constitution that was planted broadly and deeply in the heart of England, the territorial constitution, that did not permit the fortunes of this ancient monarchy to depend upon the caprice or passion of a great town." \*

After twelve days of this debate, one of the best and most interesting in all the fully recorded history

\* As in France in 1830 and 1848.

of the House of Commons, a division was taken on the 27th February. The Prime Minister, supported by all the Radicals, almost all the Whigs, and a minority of Conservatives, carried his motion by 337 votes against 240. The debates on the various financial proposals continued till the beginning of May, 1846. Two or three more quotations may be given, in order to show the position of leading men. Lord Palmerston, after a speech cleverly fomenting the war between the Prime Minister and his rebels, distressed the earnest free-traders by firing a last shot in favour of the abandoned fixed duty.

“ I am for a moderate fixed duty. I think that a duty of 4s. or 5s. would not sensibly raise the price of corn ; it would be felt by nobody ; it would produce a revenue not undeserving of consideration ; and it would enable us to accomplish a great transition with less violence to the feelings and prejudices of a large class of men. . . . But in this House men must consider what they can have, and not what they would wish to have. Now the Government have all along declared that a fixed duty is the one thing which they will never either propose or agree to. My noble and hon. friends near me have lately abandoned a fixed duty in despair. The gentlemen of the Anti-Corn Law League declare that nothing will satisfy them but a total and entire abolition of all duties on the importation of corn ; and as to the gentlemen who are in favour of protection, the moment that a fixed duty is proposed in this House they jump up in a body and rush to the door. A fixed duty is therefore out of the question, and our only choice lies between the sliding scale and an entire abolition of duty, and having to decide between these alternatives, I cannot for a moment hesitate to vote for entire abolition.”

Disraeli took a point which has often appeared in later controversy. “ I do believe,” he said, “ that the

effect of the present Corn Laws is to raise the price of the necessaries of life to the community. But I believe that they increase in an infinitely greater ratio the purchasing powers of the community over those necessaries." On another occasion he remarked that the capital which had started manufacture here and on the Continent had been supplied from the savings of agriculturalists prospering under a protective regime. "In the early days of the cotton manufacture it was the capital of Lombard Street that promoted the immense development of that fabric. And what was the capital of Lombard Street? It was the capital of the farmers of Norfolk and Lincolnshire which had found its way into Lombard Street, and was thence distributed by the great bankers and bill-brokers."

Peel did not, like Disraeli, deal much in far-ranging views. Throughout these debates he rested his case upon grounds more immediate. He traded in facts and figures. These showed that British trade had made great way since the tariff reductions of 1842,\* and that crime had decreased. Agricultural prosperity, he said, depended not upon high prices, but upon an extensive market. If the prices of food fell, manufacturing prosperity would increase, and with it the consumption of all agricultural produce. "I believe," he said to the landowners, "you will find the value of land increased with the removal of restrictions and with additional opportunities for carrying on extended commerce." He dwelt upon the fact that, under the existing system, the poor were taxed more heavily in proportion to their income

\* Exports of British produce and manufactures were to the value of £51,000,000 in 1842 and £58,000,000 in 1844.

than were the rich. Was the proposition that the Corn Law should be maintained one of the kind now called "practical politics"? "Is it possible," he asked, "permanently to maintain a law which cannot be shown to be advantageous to the men of science, capital, and skill, but which can only be maintained to give the means of subsistence to those who have not science, capital, and skill? . . . If you cannot permanently maintain the laws, my firm impression is that the sooner you make known to the country what is your ultimate decision the better."

He agreed with Guizot in thinking it essential to maintain a territorial aristocracy, but quoted Burke to show that aristocracy maintained itself by yielding at the right time in matters of privilege. "The question," he said, "is at present—will the just, legitimate influence of the landed aristocracy be better maintained by consenting to forego this protection, or by insisting upon the maintenance of it? My firm belief is that you will more increase the just influence and authority of that body by now foregoing that protection than by continuing it."

The final division upon the Corn Importation Bill in the House of Commons was on the third reading, 15th May, 1846. The "Ayes" numbered 329, the "Noes" 229. The "Ayes" were composed of 106 Conservatives and 223 Liberals; the "Noes" of 222 Conservatives and 7 Liberals. The 106 Conservatives who followed the Prime Minister were composed of 79 borough members, 2 University members, and 25 county members, of whom only twelve represented English constituencies. The rest were Scottish or Irish.

Lord Stanley felt, no doubt, uneasy in the House

of Commons as the free trade policy moved towards its climax. He said, also, that all the real business was done by Peel, Graham, Goulburn, and Gladstone, and that there was no work for him. He asked the Prime Minister towards the close of 1844 for a seat in the House of Lords. His speech to that Assembly was the most striking in the debate there upon the Corn Importation Bill. He reviewed the history of agricultural protection, showing its antiquity from an Act of Edward IV which declared in its preamble that the "labourers and occupiers in husbandry" were "daily grievously endangered by the bringing in from foreign countries of corn into this realm when the price of corn within this realm is low," and prohibited import when the price was below 6s. 8d. a quarter. The same principle, he said, had always "guided the Legislature of this country, according to the circumstances and the exigencies of the time, the state of industry, and our relations with foreign Powers. Through all there has been maintained this principle, that in order to secure the independency of this country of foreign supplies for the food of its own people, it was the policy of this country to give encouragement and protection to the cultivation of its own soil." This principle guided the policy of all leading States in Europe and of the North American Republic. It was the catholic faith, received everywhere, always, and by all. "The weight of authority," he said, "the authority of the past and present, of this and of all other countries—nations with every variety of denseness and sparseness of population, under all varieties of civil institutions, from the most absolute monarchy to the most unrestricted republicanism—

the combined authority of all times and countries, is in favour of the system of protection."

Lord Stanley appealed to the doctrine held by our own ancestors and by the civilized world, much as Sir Thomas More, on his trial, appealed in vain to England, until then, and to existing Christendom, against the new ecclesiastical opinions adopted by the English Government and Parliament. He thought that Sir Robert Peel had "mistaken the brawling torrent of agitation for the still, deep current of public opinion." Perhaps this was true. It reminds one of Disraeli's flashing thrust, when he said, in the debate of 1873 on the disestablishment of the Irish Church, that Gladstone had "thrown over the policy of concurrent endowment, mistaking the clamour of the Nonconformists for the voice of the nation." But, if eminent and opinion-guiding men, like Peel or Gladstone, make a mistake of this kind, the very action may change the direction of the current of national thought or feeling, and afterwards, to a later generation, they appear to have acted in consonance with pre-existing feeling. The active, violent, noisy, discontented minority imposes itself upon the statesman, who then, in turn, influences the flaccid and plastic majority, unless he is a man as rarely great as Bismarck. Then, indeed, acting on his own genius, he shapes the path of his nation. Lord Stanley thus defined the objective of the Corn Laws:

"The avowed object of the Corn Laws was that when the price is above 58s. the consumer should be protected by a large influx of foreign corn, and that when the price is below 54s. the producer should be protected against any other competition than that

which he can engage with on equal terms, namely, competition with those who are exposed to the same vicissitudes of the same climate, and who have the same advantages and are subject to the same burdens and restrictions with himself."

Lord Stanley foretold, and truly, the gradual elimination of gentry of the ancient English breed, the passage of the land into the hands of new capitalists, and the decrease of the class of agricultural labourers. As ex-Colonial Secretary, he naturally dwelt upon the effects of free trade in overthrowing the existing colonial system. "Destroy this principle of protection and you destroy the whole basis upon which your colonial system rests." He spoke of the colonists as men "who are proud to bear their share of your burdens, to be embraced within the arms of your commercial policy, and to feel that they are members of your great and imperial Zollverein." This shows that the success of the German Zollverein, begun in 1833, had already inspired ideas not yet destined to be fulfilled, although destined, we hope and believe, to be fulfilled some day, with regard to the British Empire. Lord Stanley continued:

"When we are told it is essential for the advantage of the manufacturers of this country that free trade should be established, and that no advantage should be derived by the Colonies, I presume that if you deprive the Colonies of all the protection they now enjoy, you intend to repeal that Act of Parliament which compels the Colonies to impose a differential duty in favour of your produce. I can conceive no grosser injustice than to refuse to do that, if you deprive colonial produce of the protection it has hitherto enjoyed. Protection is mutual, free trade must be mutual also. One

half or more than one-third of your manufactures goes to the Colonies. There you are not exposed to competition."

A year later, in 1847, Lord Stanley said in a letter :

"I retain the impression that the Conservative party had been led to believe in Sir Robert Peel's maintenance of the principle of effective protection, and that they had a right to complain of, and to resent, the course which he took in making a temporary calamity subservient to the object of a total abandonment of a principle which he led them to believe he would maintain, and in which belief he had accepted and availed himself of their parliamentary support." \*

Sir Robert Peel and his faithful follower, fellow-convert, and adviser, the Northumberland baronet Sir James Graham, were aware of swiftly advancing doom. The latter wrote on 22nd March, 1845 :

"The country gentlemen cannot be more ready to give us the death-blow than we are prepared to receive it. If they will rush on their own destruction, they must have their way; we have endeavoured to save them, and they regard us as enemies for so doing. If we have lost the confidence and goodwill of the country party, our days are numbered, and the time will come when this party will bitterly deplore the fall of Sir Robert Peel, and will wish that they had not overthrown a Government which its enemies could not vanquish, but which its supporters abandoned and undermined." †

It was Sir James Graham who presciently wrote in August, 1843, that it would be better for the party if Disraeli "were driven into the ranks of our open enemies." The confusion into which the Tory party

\* "Croker Correspondence," vol. iii. p. 115.

† "Croker Correspondence," vol. iii. p. 31.

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had been thrown finds vivid expression in an entry which Mr. Raikes made in his Journal on the 9th March, 1846:

"I went to London. I found society completely disorganized by the new policy of Sir Robert Peel and all parties in a state of utter confusion. No man seems to place any confidence in his neighbour; people are voting, as they themselves allow, not only against their principles but against their convictions, and the example of the Minister has demoralized all that come in contact with him."

This confusion resembles that which devastated the Unionist party in 1903, when a new fiscal policy again suddenly raised its head, emerging from placid depths of the unknown.

The Corn Importation Bill was read for the third time in the House of Lords on the 25th June, 1846, and was passed, subject to a reasoned protest in writing, a useful record which sums up the main objections to the measure. On the same eventful night the Government were defeated by 292 to 219 in the House of Commons on the second reading of an Irish "protection of life" Bill. The majority was formed by a combination of Whigs, Radicals, Irish, and Tory protectionists. The Duke of Wellington, deaf, old, and crabbed now, whose one motive in politics was to uphold the "Government of the Queen," much as he disliked the Repeal of the Corn Laws, had supported Peel laconically but firmly throughout, and he called this a "blackguard combination." It really was a remarkable instance of the sacrifice of national interest to the satisfaction of party rancour. So far as concerned the protectionists, the action was inspired frankly by the

motive of revenge upon the Prime Minister, the "traitor" who, Lord George Bentinck said, had "sold" them.

Sir Robert Peel resigned, and withdrew to Drayton Manor to enjoy in peace the sweetest days of summer. Three months later he wrote to his friend Lord Hardinge, the Viceroy of India :

"To have your own way, and to be for five years the Minister of this country in the House of Commons, is quite enough for any man's strength. But to have to incur the deepest responsibility, to bear the heaviest toil, to reconcile colleagues with conflicting opinions to a common course of action, to keep together in harmony the Sovereign, the Lords, and the Commons ; to have to do these things *and* to be at the same time the tool of a party—that is to say, to adopt the opinions of men who have not access to your knowledge, and could not profit by it if they had, who spend their time in eating and drinking, in hunting, shooting, gambling, horse-racing, and so forth—would be an odious servitude to which I will never submit."

The Whigs reaped all the benefits of this Tory rebellion. Lord John Russell became Prime Minister, fortified by a promise of general support from Peel and his adherents until the next General Election. That election took place in the summer of 1847, and resulted in the return of parties in very nearly the same proportions as in the former Parliament. Lord John's power was founded, after the election as before it, upon the combination of Whigs, Liberals, Irishmen, and Peelites. Except for three very brief intervals, due to internal quarrels in the dominant party, this combination held power for the next twenty-eight years, and it possessed a varying majority in the House

of Commons during the whole of that period. That this was due to wider causes than the advocacy of free trade is shown by the fact that the Liberal tide continued so long after the Conservatives had formally abandoned the cause of protection in 1852. Peel's abandonment of old national principles in 1846 affected the immediate aspect but not the general course of things.

## CHAPTER IX

### REPEAL OF THE NAVIGATION LAWS

THE wet summer and autumn of 1846, which had "rained away the corn laws," also produced a general scarcity in European wheat supplies. The price rose in England in January, 1847, to 70s. a quarter, a higher price than that of any annual average since 1837. Lord John Russell, when Parliament met, stated his intention of meeting the difficulty (1) by suspending till the 1st September, 1847, the transitional 4s. duty upon foreign corn; \* (2) by suspending for the same period the operation of the Navigation Acts, so far as regarded the import of foreign grain. In view of the pressing distress in Ireland these measures met with no real opposition and were rapidly passed into law. The reason given for the suspension of the Navigation Acts was that their effect was to raise the cost of freight by the exclusion of foreign shipping, except that which brought corn from the country to which such shipping belonged. If the Acts were suspended, it was alleged, freight, and therefore the price of corn, would fall. But, if this argument were good, it was necessary, upon free trade principles, not only to suspend these Acts in view

\* Precedents in 1756, 1766, 1791, 1800, and other years, were cited for temporary suspension of corn duties.

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of a temporary emergency, but to abolish them. The matter was followed up in February, 1847, by Mr. Ricardo, the famous economic writer, who moved for a Select Committee to inquire into the operation and policy of the Navigation Acts. In 1848 the Government announced a measure intended to remove the restrictions imposed upon free trade under these Acts, and there were long discussions in Parliament. This reform was not, however, carried through until the following year.

The Act of 1849 retained two portions of the old Navigation Acts—portions not, however, destined to remain for long in force, namely, the reservation to British ships of the coasting trade of the United Kingdom,\* and the provision that ships engaged in that trade should be entirely manned by British seamen, and that British ships in the foreign trade should have three-fourths of their crew British. The Act, however, made a most effective qualification in this last provision by placing Indian seamen on the same footing as British seamen, so that henceforth a ship might legally be entirely manned by lascars. All the other restrictions contained in the Navigation Acts were abolished by the measure of 1849, but power was reserved to the Queen in Council, by order, to revive them with regard to any special foreign country.

The main objects of the Navigation Acts have been explained in a preceding chapter. They were, shortly, (1) to secure to British ships a monopoly of the trade between the United Kingdom and the

\* That is, the pure coasting trade. The Act of 1849 allowed an (say) American ship to sail (say) from Hull to New York, and drop at London, on the way, a cargo of goods consigned from Hull to London.

rest of the Empire ; (2) to secure the "long voyage" trade, viz., the importation of goods from Asia, Africa, and America ; (3) to prevent foreign ships from bringing to England any goods except those grown or manufactured in the country to which such ships belonged. Other objects were to reserve to British shipping the whole coasting trade of the United Kingdom and to secure the manning of British ships by British seamen. The political motive of the system was the maintenance of commercial and naval power.

The great argument in favour of abolishing the monopoly of colonial freights was that the system of preference in colonial goods in British markets was being rapidly destroyed. If this advantage to the colonists were taken away, there could be no justice in retaining a system which was to their disadvantage. It was to their disadvantage that they could only send goods to England, or receive them from England or elsewhere, in British ships. This restriction of competition probably raised freights, and sometimes involved delay and loss in the dispatch of goods, when British shipping was absent or inadequate. The grievance was especially felt in the North American Colonies and the West Indies, where ships of the United States or Spain might often have been used with advantage to carry cargo to and from Europe. The repeal of the Corn Laws made it possible for the Americans to send corn direct from their own ports to England at a duty which became in 1849 purely nominal, nor did the energetic inhabitants of the Republic lose time in making use of their new advantage. Lord Elgin forwarded from Canada in

July, 1847, an address to the Crown from the Canadian Legislature. They stated that—

"Measures have been adopted in the neighbouring Republic with a view to divert the trade of this Province to and from Great Britain through the railroads and canals of that country,\* and thereby to secure a large accession of carrying trade, and there is too much reason to fear that their attempts will prove successful, unless other and further inducements than at present exist are offered in favour of the route by the St. Lawrence. To afford such inducements, and to prevent a calamity so much to be apprehended, we humbly pray that Your Majesty will be most graciously pleased to sanction the free use of the navigation of the river St. Lawrence by all nations; and to that end will be pleased to recommend to the Imperial Parliament to repeal the laws of navigation so far as they in any manner relate to or affect this Colony."

Lord Elgin, in his accompanying dispatch, strongly supported the claim. In a later dispatch (15 June, 1848) he wrote:

"The Canadian farmer is a suppliant at present to the Imperial Legislature not for favour but for justice. . . . He cannot reconcile it to his sense of right that, after being deprived of all protection for his produce in the British markets, he should be subjected to a hostile and discriminating duty in the guise of a law for the protection of navigation."

Lord Elgin thought that if these restrictions were allowed to remain on the Imperial Statute Book they would bring "the material interests of the colonists and the promptings of duty and

\* The measures adopted in the United States were partly an adaptation of railways and partly a legislative system of "drawbacks" intended to make goods passing between Canada and England go through United States ports.

affection into opposition," whereas, in his opinion, it was all-important that between these motives there should be concurrence. Representations of the same kind came from the West Indies, Australia, and Ceylon. Mr. Labouchere, now President of the Board of Trade, had ample material for the question framed in one of his speeches :

" Whether, as our colonial empire develops itself, as New Zealand and Australia become flourishing and mercantile communities, it is to be supposed that these communities of Englishmen will remain satisfied with restrictions of this description. Is it not part of true wisdom, in time, before exasperation prevails, before irritation has grown up, to look forward and place this question upon a footing that we can justly maintain ? "

In these debates words were quoted which Lord Ashburton had used in 1826, and they applied with even increased force to the situation created by the extension of self-government in Canada and the rise of the Australasian Colonies. He had said that the North American Colonies could only be preserved "by giving them all the advantages of a free trade. . . . Since the American War these Colonies had felt their own power, and knew their own interest ; and it was not possible to retain them by violence, or to subject their trade to unnecessary restraint."

Conservative speakers replied that the Colonies had objected, and still objected, to the destruction of the preferential system. Had that been retained they would not have objected to the retention of the restrictions upon navigation, and, indeed, in the same document in which the Canadian Legisla-

ture petitioned the Crown for a repeal of the Navigation Laws, they desired the permanent continuation of a 5s. duty on foreign corn imported into England. This was a good point in the game of debate, but not much more, since no one now believed that the preferential system could be restored. The colonial claim for a measure which had now become one of bare justice could not be met with blank denial. No one understood this better than Disraeli, and, if he defended the Navigation Laws upon their colonial side, he took care to do so upon the most general grounds, and with a view to a distant future rather than to existing conditions. He said in 1848 (9th June) :

“I understand the question before us to be this, that the Government have asked us to abrogate an ancient national system, with respect to our navigation, a system founded on definite principles and aiming to arrive at definite ends. . . . I look to the time when, in the reform and reconstruction of your colonial empire, based on a great system of colonization, you will find the best source of imperial power and imperial prosperity. I would cherish all that remains which is a tie between the mother country and the Colonies.”

Even, he added, if it could be proved that the Colonies sustained some damage from the Navigation Laws, “still I would not relinquish that tie which might be made the foundation of greater interests.” The battle was really waged not so much upon the colonial issue as upon that of reciprocity. Should we simply abolish the Navigation Laws, or should we give power to Government to waive them in favour of any foreign State which would make

by treaty concessions of equivalent value? The strongest argument of those who wished to destroy the Navigation Laws was this: It may perhaps be true, it was said, that these laws served our interests when our commercial marine was struggling to become great; but, now that we possess the lion's share of the carrying trade of the seas, it is directly against our interests to perpetuate a system which some States have already adopted in self-defence, and which others now threaten to adopt. The United States, for instance, following exactly our example, prohibit our ships from bringing to their ports any goods not the produce of the United Kingdom. Conditions give them the best of this game. It would often be convenient to send to America mixed cargoes of English and continental goods, but this, under the American law, copied from our own, we cannot do. On the other hand, any produce which American ships can load with in their own ports is purely American. This they can bring directly to England, under our Navigation Laws and our present system of free, or almost free, imports, and they can take back the mixed English and continental cargoes which we lose. Other Governments, those of Russia, Austria, and Prussia, have intimated that unless our Navigation Laws are materially relaxed they will enforce corresponding legislation to our detriment. We, who possess most of the carrying trade, are bound to be the losers in wars of retaliation.\* Our argument

\* The policy, Sir James Graham said, "can only be successful so long as it is confined to ourselves, or as long as foreign nations acquiesce in it. . . . But if foreign nations choose to imitate our policy and insist on trying to confine their own carrying trade to their own shipping, then we should gain nothing, but, on the contrary, as the greatest mercantile and maritime nation, we should infallibly be the greatest losers in a game in which all must lose something."

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is the same in the case of the Navigation Laws as it was in the case of the Corn Laws. We declined to wait to abolish our Corn Laws until corn-producing countries should abolish their duties against our manufacturers. We hope that they will do so, but, if they do not, we are strong enough in manufacturing power (strengthened as it will be by the cheapness produced by free imports) to defy and conquer an outside world still crouching behind protective fortifications. So it is with our Navigation Laws. We hope and believe that America and other nations will follow our example, and will abolish any similar laws which they may now have, or refrain from instituting such laws. But, if they persist in a protective policy, our commercial marine is strong enough to carry all before it. "Because," said Sir James Graham, "some foreign nation does that which is more injurious to itself than it is to you, you proceed to do that which is more injurious to yourself than it is to your rival." The principle of reciprocity, he said, "makes the folly of others the limit of our own wisdom."

The position taken by the party led by Lord Stanley, and inspired by Disraeli, was this :\* We have now this system of reserved rights in maritime trade; are we to surrender it for the benefit of the rest of the world without receiving any advantage in exchange from other nations, or shall we use it as a means of negotiation with a view to secure the removal of restrictions upon free trade imposed by other nations? The way to peace lies through armed strength. If you really wish, not merely for cheap imports but for the establishment of free and

\* See, e.g., Lord Stanley in the House of Lords, 21 May, 1849.

unshackled commerce throughout the world, do not throw away all your weapons and means of obtaining it. This was the general argument with which Disraeli was fighting a rear-guard action to cover the retreat of the protectionist army, and to mark out a position which might be held in the future. The Bill of 1849 proposed to repeal the existing Navigation Laws, but to authorize their revival by Order in Council against any particular nation. The Conservatives maintained that such revival would practically be impossible, and that the right course was to maintain the Navigation Laws, but to relax them by Order in Council in favour of any nation which would give to us equivalent advantages. This, it was said, would be to follow the policy of Mr. Huskisson, who had "proposed, and wisely proposed, to enter into treaties with foreign countries, by which, in the direct trade with this country, the advantages given to the shipping of those countries should be equivalent to the advantages which they conferred upon the shipping of this country."

The Whig Government so far met the views of the reciprocists as to issue in 1848 from the Foreign Office a circular note to each foreign Government to ask what course it would be prepared to take in the way of removing restrictions upon our commerce if we removed our navigation restrictions. It was not a method of procedure likely to lead to any results. It was, moreover, a moment when the Continent of Europe was in a state of great confusion through revolutionary movements, and the replies received were unsatisfying in the extreme.

The divergence of view in this matter came out

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vividly in the debates as to the coasting trade. The Government Bill of 1848 entirely reserved the coasting trade to British ships, without the important qualification, introduced in 1849, that a foreign ship might carry goods from one British port to another in the course of its passage to an ultimate foreign destination. Mr. Gladstone had attacked the Bill of 1848 upon this very ground. He said that by reserving the coasting trade of the United Kingdom, in which we need not fear competition, we should justify the Americans in continuing the reservation to their own ships of the vastly more important trade between the ports on the far-extended Atlantic and Pacific coasts of the United States. Mr. Labouchere in 1849 modified the Bill, in the manner already explained, to meet this objection. Assurance had been given in writing to Lord Palmerston, the Foreign Secretary, by the American Minister in London (Mr. Bancroft) that, if this amendment were adopted, the United States would admit British ships to their own coasting trade upon the same terms, viz., that it should be trade combined with a foreign journey.\* Mr. Herries, a leading official Conservative, in replying, said that—

"We stripped ourselves of the right to the exclusive trade of our own coasts and Colonies; we were to surrender, by Act of Parliament, to all other nations the privilege which we now exclusively possessed of carrying that colonial and coasting trade, in exchange for what? For the vague expectation that we might

\* Mr. Bancroft had assured Lord Palmerston (to quote an official summary of the conversation) that: "We (the U.S.A.) are ready to do anything you like; if you can do but little we must do little; if you can do much, we will do much; if you shall do all we shall do all."

hereafter receive from the American Government something of adequate value, something equal to what it was proposed to surrender. But even this vague anticipation of some return was limited to the hope of obtaining a participation in the coasting trade of America. . . . It was intended that we should concede everything without receiving any positive assurance even of the smallest concession on the other side."

The pledge given by Mr. Bancroft in London was not then supported by the public utterances of statesmen in America, and has not to the present day been honoured by the Legislature of the United States. To this day the coasting trade between every port in the United States, including oversea possessions, such as the Philippine Islands, is reserved to American ships, nor can foreign ships *en route* to foreign destinations do any American coasting trade. The opening of the Panama Canal and the freedom from canal dues of American coasting ships will soon make this reservation one of immense value, and every extension of American empire beyond the seas will increase its importance.\*

These, then, were the arguments of those who wished to abolish the Navigation Laws, which had been founded upon their then existing basis by Oliver Cromwell and his advisers. The Colonies also now desired revocation, inasmuch as the side of the arrangement favourable to themselves—the preference of their goods in the British markets—had

\* It is a question whether, as against any foreign State which should pursue a hostile, inequitable shipping policy, it may not become desirable to revive the principle of the Navigation Laws. An agreement between the United Kingdom and the several Dominions to prohibit the ships of any foreign State which discriminated against British ships from taking part in our inter-imperial trade would be a most potent means of enforcing equity.

been destroyed. Other Powers had followed, or threatened to follow, our example ; and, in a trade war of this kind, we, as the possessors of the greater part by far of the world's carrying trade, seemed more likely to suffer damage than to gain advantage. To rich nations, as to rich men, war is less attractive than to poor ones struggling for "a place in the sun."

Other arguments used in this controversy may be summarized briefly. It was urged that the Navigation Laws were honeycombed by exceptions made in pursuance of numerous commercial treaties with various Powers, and were consequently in a state of confusion highly detrimental to business. It was said, generally, that all restrictions of this kind were bad for shipowners and merchants, and that, since they tended to raise freights, they also raised prices, and were injurious to the great body of consumers. If the shipowners lost by a reduction of freights due to open competition, they would gain in still larger degree by the expansion of commerce which was anticipated as a result of freedom. It was argued that the character of British seamen had rather deteriorated under protection, and that, if shipowners were exposed to world-wide competition, they would be more careful in the selection of their crews. Hence we should by the repeal of the laws rather improve than worsen the school of seamen for the Royal Navy. It was contended that the Navigation Laws frequently prevented raw materials from Asia, America, and Africa from coming to English ports, in cases where lines were used irregularly by British vessels. Consequently they were taken to continental ports, and

the result was favourable to foreign and adverse to British manufacturers. In reply to the protectionist contention, that, in consequence of heavy burdens of national and local taxation and higher rents and higher wages, ships could not be built so cheaply in England as in other countries, and that some countervailing advantage was therefore necessary, it was said that British labour was the most efficient in the world, and that ships could be built more rapidly and at less real cost. It was also said that our great warehousing and entrepôt system was at stake. If other nations were to retaliate this might be destroyed.

The Bill was passed by the full Liberal-Peelite majority in the House of Commons in May, 1849, and went to the House of Lords. The best speech in its support was made there by Lord Grey, and it was opposed by Lord Stanley in a speech which was, perhaps, too rhetorical. The second reading in that House was only carried by ten votes—173 to 163. The Duke of Wellington and two or three supporters of Peel voted for it, and a net balance on the episcopal benches of seven bishops turned the scale against the work of the English Republican Parliament, so congenial to the older national spirit that it had been confirmed by the Parliament of the Restoration and maintained by that of the Revolution.

## CHAPTER X

### FALL OF THE COLONIAL SYSTEM

IN 1843, the reader will remember, an arrangement had been made between the Imperial and the Canadian Governments. Canadian corn was to be admitted into the United Kingdom at a nominal duty of 1s.—virtually free—and Canada was to place a 3s. duty upon corn crossing her frontier, mainly in transit to British ports, from the United States. It was part of the understanding that Canada would spend money upon improving her waterways with a view to this trade, and this the Canadians had begun to do. Individuals had also spent much money in erecting new flour-mills in anticipation of increased business. The export of corn from the Canadian ports was already rapidly increasing. These brilliant prospects were clouded by the sudden change at Westminster. The English policy of 1846 threw over the whole preference to corn imported from or through Canada. Mr. Gladstone, as Colonial Secretary, sent a dispatch in March, 1846, to Lord Cathcart, the Governor of Canada, intimating the nature of the fiscal policy which the Imperial Government were introducing. Lord Cathcart replied by an immediate remonstrance on behalf of the Canadian Government. Later, he sent to

Downing Street an address to the Crown passed by the Canadian Legislature, strongly objecting to the new policy on the ground that it would check the development of the population, wealth, and agriculture of Canada.

"First (said the address), it will discourage those at present engaged in agricultural pursuits from extending their operations. Secondly, it will prevent the influx of respectable immigrants from the mother country, who by their industry and capital materially contribute to the rapid advancement of the interest of the Colony. And lastly, it is much to be feared that, should the inhabitants of Canada, from the withdrawal of protection to their staple product, find they cannot successfully compete with the United States in the only market open to them, they will naturally and of necessity begin to doubt whether their remaining a portion of the British Empire will be of that paramount advantage which they have hitherto found it to be."

The Canadian Solicitor-General said, in a speech at these debates : "If, by a course of imperial policy over which they had no control, the people of Canada are forced into a new sphere of social and political attraction, they are not the culpable party." On the other hand, the Legislature of the United States showed no gratitude at all for the virtually free and direct admission of their corn to the United Kingdom under Peel's policy of 1846. In the same year they imposed heavy duties upon Canadian corn and timber. An unimpeachable witness, Lord Elgin, the Whig Governor of Canada, wrote to the Secretary of State in 1847 :

"I do not think that you are blind to the hardships which Canada is now enduring, but I must own I doubt much

whether you fully appreciate their magnitude, or are aware how directly they are chargeable upon imperial legislation. Stanley's Bill of 1843 attracted all the produce of the West to the St. Lawrence, and fixed all the disposable capital in the Province in grinding-mills, warehouses, and forwarding establishments. Peel's Bill of 1846 drives the whole of the produce down to New York channels of communication, destroying the revenue which Canada expected to derive from canal dues, and ruining at once millowners, forwarders, and merchants. The consequence is that private property is unsaleable in Canada, and not a shilling can be raised on the credit of the Province."

If Canadian produce tried to find a market in the States it was met by heavy duties on the frontier. "All the prosperity," said Lord Elgin, "of which Canada is robbed is transplanted to the other side of the line, as if to make Canadians feel more bitterly how much kinder England is to the children who desert her than to those who remain faithful. I believe that the conviction that they would be better off if they were 'annexed' is almost universal among the commercial classes at present." In fact, Lord Elgin was obliged to remove from office several magistrates and other holders of public appointments who had signed a manifesto in favour of annexation in the year 1849. Possibly the commercial classes in the United States were at that time opposed to the annexation of Canada, with its consequence of the free admission of her produce into their markets.

Some English politicians—John Bright, it would seem, and perhaps Cobden—would have been really glad in their hearts if Canada had become part of the United States. Some of the Whigs—Lord John Russell among them—though not desiring it, were inclined to think that Canada would become an

entirely independent nation. Disraeli said (15 May, 1846), "I am not one of those who think it the inevitable lot of the people of Canada to become annexed to the United States. Canada has all the elements of a great and independent country, and it is destined, I sometimes believe, to be the Russia of the New World." Disraeli thought it possible that the abolition of the preference to colonial sugar might eventually lead to the loss of the West Indian Colonies. He said, in 1849, that these Colonies might be driven into the arms of a transatlantic Power which would give to them a great protected market. "That," he added, "is a political consideration which may not have entered into the minds of those who are looking only for cheap sugar, but it shows that the world is not to be governed merely by commercial principles, and that, if you push too far your political economy, an element may arise to produce combinations which will destroy your power and, with it, the commercial supremacy which it was your object to establish."

No doubt these West Indian Colonies would have enjoyed greater material prosperity had they formed part of the protective American Union instead of the free trade British Empire, and, perhaps, if they had been fully self-governing, they would have followed the line of their material interests. The new English policy certainly almost ruined the West Indies, and postponed, or at least largely contributed to postponing, the development of Canada, while it favoured to the full extent of its power that of the United States. For years to come the Republic attracted almost all the British capital and labour available for export, except that drawn to Australia.

by the gold magnet. British money and labour poured into the United States to make railways, take up land, and develop industries, while Canada was almost entirely neglected.

Peel's financial change of 1846 reduced the preference given to Canadian timber over foreign timber, and the preference given to West Indian and East Indian sugar over that given to sugar grown in free-labour foreign countries. Lord John Russell, at the end of the 1846 Session, carried the change still further. He defined his policy with regard to sugar as "a large reduction of duty, a complete withdrawal of the present prohibitory duty (on slave-grown sugar), and, on all sugar, a very slight change from year to year till the duties are entirely equalized." The existing duty on slave-grown sugar stood in 1846 at 63s., and on foreign free-grown sugar at 23s. 4d. Instead, there was to be at once a duty on all foreign muscovado sugar of 21s. per cwt., to be diminished by annual stages until July, 1851. After that date there was to be an equal duty of 14s. on all muscovado sugar, colonial and foreign. As some compensation to the West Indian planters, indentured coolie emigration into the Colonies was to be allowed more freely than hitherto. The Liberals had to waive their old objection to semi-servile labour.

Two years later it became evident that the West Indies were on the road to ruin, suffering, no doubt, the results of the collapse of a system built upon the precarious foundations of slavery and excessive monopoly. Eighteen West Indian houses went bankrupt between 1846 and 1848. Inquiry was made by a Select Committee, and in June, 1848,

the Imperial Government introduced a measure assisting by a colonial loan the importation of indentured labourers, and deferring for a few years the full equalization of the customs duties upon colonial and foreign sugars. The Bill was opposed by the protectionists, who thought that it did too little for the colonial interest, and by some Radicals, who thought that it did too much, and was only carried by fifteen votes.

The indentured system was gradually established, and has, in the course of the last sixty years, replenished the West Indies with a cheap and industrious East Indian labouring population, but there was much difficulty in carrying on sugar production at a profit. Occasionally the question came again, in various ways, before the Parliament at Westminster. A discussion in February, 1849, enabled Disraeli to make the speech in which he called the English "an insular people of strong purpose, but deficient in information," and spoke of "a state of society where the commercial principle is dominant and the imperial principle is fallen." He went on :

"I know very well that it is utterly vain for me to tell you that there are other considerations connected with this subject than the price of a pound of sugar. That is all past, and the commercial principle now rules this country. We had an imperial principle in the time of those who preceded us; but you may rest assured that, if you convert the Senate into a counting-house, it will not be long before the nation degenerates into a factory. It is not, therefore, necessary for me to tell you now that it is important to you to keep those Colonies, even if, from a commercial point of view, they may not suit your system."

On this occasion, also, a fair-minded Whig, Mr. Labouchere, the President of the Board of Trade, said that, if the House were disposed to retrace its steps, it could not take a fitter occasion than by re-enacting the principle of protection for the West Indian Colonies. This was not to be. Even to this day the successors of the Whigs are so much enamoured of the principle or ideal of cheap sugar that they have recently refused to continue a mild protection to the West Indies in the English market against foreign beet-sugar fed by bounties. On the other hand, they have so far fallen away from the pure principles of free trade that they lately bestowed their benediction upon the proposal that the West Indies should by agreement with Canada receive a preference for their produce in the Canadian market, and give one to Canadian produce in their own.

If (to return to the year 1846) preference to colonial produce in British markets were abolished, it was seen to be but fair that the preference to British goods in colonial markets should also be removed. The Whig Government accordingly, at the close of this Session of 1846, introduced a Bill giving to the Queen in Council power to assent to any Acts passed by colonial Legislatures by which the existing 5 per cent. or 7 per cent. preference in favour of British goods should be abolished. This act of legislation marked a most important change in the relations between the United Kingdom and the Colonies. The Bill, which was not printed till the 13th August, passed the second reading at the very end of an exhausting Session, when most members of Parliament had left town, after a short

debate, by a majority of forty-seven to eight. The chief criticism came from Mr. Goulbourn, who had been Peel's Chancellor of the Exchequer. He said :

" Hitherto the trade of our Colonies had been always regulated by the British Parliament, but in this Bill there was a departure from that principle. According to the present mode of proceeding there was one uniform rate of duty passed on all articles coming from foreign countries. Not only had the British Parliament hitherto retained the right of which he had spoken, but it also retained the right of appointing the places where foreign ships should trade with them—that was, it appointed certain ports for that purpose which were called 'free ports.' This Bill proposed, instead of having the duty imposed by a British Act of Parliament, to give to certain Colonies the power of imposing a duty on foreign goods coming from foreign countries."

Goulbourn thought that the relief should be given by British Act of Parliament and not by giving the colonists a "discretionary power" to lower the differential duties in their own Legislatures.

" The Government here might decide that the colonial Assembly had not taken that view of the subject which was for their own advantage and for the benefit of the Empire at large, while the colonial Assembly might take another view of the matter, and there would be by this no power to alter their determination. All that the Crown could do was to say yes or no to the decision of the colonial Legislature. . . .

" Let them suppose that a colonial Legislature proposed one duty on goods from America and another duty on goods from other places; they would soon find themselves involved in dissensions with foreign countries, and that too under the most disadvantageous circumstances. The Foreign Office must be placed in the very embarrassing position of being

obliged to defend different duties imposed by different Colonies on the goods of the same foreign country. He was sure they ought to have kept in their own hands all that related to the intercourse of the Colonies with foreign countries. . . . They were here called upon to give up the great imperial principle that the trade of the Colonies ought to be regulated by the Legislature of the mother country. If they passed this, the Colonies might have a claim as to the retention of the jurisdiction of this country in other matters. The House would find, in deciding on this question, that it was closely connected with our Navigation Laws. The Colonies might hereafter make a claim that these laws should not be dealt with by the British Parliament alone, but that they should also be enacted by the colonial Legislatures. He feared the time might come when the colonial Assemblies would lay the claim to the right of interfering with our Navigation Laws, and of not allowing those laws to act in a manner which they conceived to be injurious to their interests."

The Chancellor of the Exchequer made a severely practical reply. He thought it might be "better on the whole" to regulate the trade of the Colonies in the same way as it had been done before, but there was no time to communicate with them, so that by a general Act they would have been depriving them of part of their revenue without notice or giving time for preparation. "It was thought better, therefore, to leave this matter in their own hands, especially as the Queen's consent was necessary to the carrying of any Acts which they might pass." He added that differential duties by one Colony against another, as in the recent case of New South Wales and Tasmania, were highly objectionable. Steps would shortly be taken to prevent this. "In the meantime the Colonies ought, without delay, to be relieved from the import duties to which they

were exposed. They should not be exposed to protection against them while protection in their favour was taken away."

Lord John Russell said that they were only giving to the Colonies power to repeal existing duties, not that of enacting differential duties, or any power of imposing duties on British goods which they did not at present possess. Sir Howard Douglas, doomed to see the whole tide of things run against his theory of Empire, said that the Bill was "a more immediate and portentous confirmation of his apprehensions of the gradual subversion of the colonial system" than he could have expected. It would destroy the uniformity which ought to exist in the commercial regulations of the Empire, under the paramount and exclusive authority of the Imperial Parliament, and lead to constant and angry conflicts between the colonial Legislatures and executives, and to frequent collisions between the colonial and Imperial Parliaments. The Colonies, he added, for purposes of commerce would "be placed in a middle state between the colonial and foreign State." Lord Ashburton,\* commenting upon these proceedings in the following year in the House of Lords, said :

"The main utility of the greater portions of our Colonies is that they form the best market for the manufactures of the mother country; that they form the most advantageous object of our commerce, and that we, upon the other hand, by a preference for their productions, encourage, stimulate, and advance their interests and resources.

\* Lord Melbourne, in 1838, told young Queen Victoria that Lord Ashburton had got "that fashionable theory" that it was "better to give up the Colonies at once when they became at all unquiet." Lord Melbourne disagreed. ("The Girlhood of Queen Victoria," by Lord Esher, vol. i. p. 278.)

It is further alleged, and to my mind with great force, that the moment we came to the decision to forbid not merely an exclusive preference for British goods in the Colonies, but even some preference, that then the strongest ground for retaining our colonial Empire was abandoned. It is, however, maintained that, having come to the determination of admitting duty-free into this country the produce of all other countries, as there is no protection left for our own industry, we can no longer retain a differential duty in favour of our colonial produce nor of our own in the Colonies. These views are new—they are contrary to what experience justifies—it is not under them that our colonial Empire has risen, nor by them that the mother country has obtained her present position. Our history shows that in earlier days the commercial communication between the Colonies and the mother country was almost exclusive, and that, though relaxations had taken place, yet, up to the present time, it had always been judged wise and politic to preserve a differential duty in favour of the produce of the mother country and of our Colonies. In the North American Colonies a differential duty of 7 per cent. had been fixed upon, but that Act had been done away with by that passed last Session, which gave the colonial Legislatures the absolute power of doing away with all distinctive duties whatever, so that the produce of Germany and France and the United States would be upon equal terms with that of the mother country."

Lord Elgin, in accordance with instructions from Downing Street, had recommended the Canadian Legislature to abolish the differential duties with a view to increasing revenue and benefiting the Canadian consumer. Now the obscurely passed but highly important Act of 1846 gave to the colonial Legislatures the power of abolishing the preferences in favour of British goods which had been imposed by the Acts of the Imperial Government. Outstanding remained the question whether the Colonies

could themselves impose any duties which they liked upon imported British goods. This question was settled in the affirmative by an Act of 1850 which gave representative institutions (not yet full self-government) to several Australian Colonies. It enabled the Governor and Legislative Council of each Colony to impose such customs duties as they thought fit "on the importation into such respective Colonies of any goods, wares, or merchandise whatsoever, whether the produce or manufacture of, or imported from, the United Kingdom, or any of the Colonies or dependencies of the United Kingdom, or any foreign country." The Act, however—and this is important—forbade the colonial Legislatures to impose any differential duty, that is, a duty upon the goods imported from any country which was not imposed at an equal rate upon goods of the same description imported from other countries. This prevented them from giving a preference to British goods, and also from carrying on tariff wars against each other, or entering into special commercial relations with each other or with foreign countries. This Act was passed under the idea that the free trade policy adopted by Great Britain would be that of the whole Empire. It was deliberately and consciously intended to prevent the imposition of duties by the colonial Legislatures inconsistent with the principle of free trade. But, when more complete self-government was given to the Australian Colonies, it was found to be impracticable to maintain this principle. These provisions of the Act of 1850 were repealed, very reluctantly, by a Liberal Government, under pressure from these Colonies, in the year 1873, when an Act was passed giving them perfect freedom

with regard to their tariff regulations. They could now either tax each other's goods in pursuance of tariff wars or give preferences to each other. There was one good result. Had the principle of the Act of 1850 been maintained with regard to the Empire as a whole, the British dominions would not have been able, legally, to grant preferences to each other as they have lately done, and to the United Kingdom. The attempt of the British free-traders to impose free trade upon the Colonies failed, because it was inconsistent with colonial autonomy and with colonial aspirations.

## II

Lord Lyndhurst, Peel's Lord Chancellor, who was a wise and experienced statesman, once said in conversation that "the abolition of differential duties in favour of the Colonies was a measure far more serious than the tax upon tea which produced the American War," and that "we thereby exchanged, throughout our vast dominions, a system of assimilation and union for one of division and individuality."\* This opinion of a great Tory may be compared with that expressed by one of the Whig statesmen who had much to do with carrying through the revolution in policy.

Earl Grey (the Lord Howick of the earlier "forties") was Secretary of State for the Colonies from 1846 to 1852. After the close of this Government he published his book called "The Colonial Policy of Lord John Russell's Administration" in the shape of a series of letters to Lord John with

\* Quoted by Evelyn Ashley in his "Life of Palmerston," vol. iii. p. 189.

regard to the affairs of each Colony during this period. In his "preliminary remarks" he calls attention to the "manner in which the peculiar circumstances of the time have affected the administration of colonial affairs." He remarks that, in these affairs, much of the opposition which his party had met with had "arisen, directly or indirectly, from our having thought it our duty to maintain the policy of free trade and to extend its application to the produce of the Colonies." He adds that "the greatest service that we were called upon as a Government to render to the country was that of completing the work, which had been happily begun, of removing restrictions from industry and *securely establishing a system of free trade throughout the Empire.*" Since he himself entered public life his view had been that "next to the removal of the religious disabilities which then threatened the disruption of the Empire, and to the accomplishment of such a reform of the House of Commons as was requisite to make it a fitting instrument for effecting every other public improvement, the political object of the greatest importance to the public good was to relieve industry and commerce from the shackles with which they had been encumbered by measures adopted for their advancement under the erroneous theory of 'protection.' . . . I believed that the colonial trade ought to form no exception to the general rule, but should be placed on the same footing as other branches of our commerce. I considered it to be no less for the real and permanent interest of the Colonies themselves, than for that of the mother country, that industry should cease to be diverted from its natural channels, and a useless

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burden to be imposed on the consumer by differential duties, levied for the purpose of favouring colonial produce in our markets, and our produce in the markets of the Colonies."

In his expectations he had not been disappointed.

"By the measures which we have succeeded in carrying, for the alterations of the duties on sugar, coffee, and timber, for the repeal of the Navigation Laws, and for giving power to the local Legislatures to abolish differential duties in the Colonies, provision has been made for placing the colonial trade on a footing free from serious objection; while the accomplishment, at no very distant period, of the further improvements it still requires, has obviously been ensured.

"These measures, necessary and beneficial as I am convinced they will ultimately be admitted to have been, amounted, however, to nothing less than a revolution in an established system of policy, which could not fail to shock many long-received opinions, and to bring about a great change in the relations hitherto subsisting between this country and the Colonies. For more than two centuries the great object of all European nations, in seeking to obtain possession of Colonies, was the gain supposed to accrue from the monopoly of their commerce, which it was the practice for the parent State to maintain, while, on the other hand, it gave to their produce a preference in its own markets. This policy began to be relaxed by Parliament immediately after the American Revolution (of which calamity it was, in truth, the chief cause), but, although the views on which it had been founded had been considerably modified, the principle of placing the trade with the Colonies on a different footing from that with other countries had been maintained up to the year 1846, and was generally regarded as one of unquestionable propriety and wisdom. So much was this the case, that, in the beginning of Sir Robert Peel's commercial reforms, the tariff of 1842, as originally submitted to the House of Commons, contained provisions by which various new protected interests would have been created in the Colonies, and a large revenue

would have been sacrificed by the mother country without any real benefit accruing to them. Amongst other articles proposed to be dealt with were tea and tobacco, on which it was intended to reduce one-half the amount of duty to which they would otherwise be liable, when they were the produce of British possessions."

Lord Grey relates how he himself in 1842 moved a resolution not in favour of abolishing existing preferential duties in favour of the Colonies, but only seeking to lay down the rule that no new ones should be created, and how the motion was rejected, not being supported by the Opposition in at all its normal strength, and how the principle which he condemned was adhered to, the Government only abandoning its application where it would seriously have affected revenue. "This shows," he says, "how strong was the hold on men's minds of the old opinions respecting the colonial trade, and how great was the shock given to these opinions when the policy of placing our trade with the Colonies on the same footing as that with foreign countries was first systematically adopted in Sir Robert Peel's Act for the repeal of the former Corn Law, and in the measures which followed it." This, he said, accounted for the great bitterness of the Opposition to Lord John Russell's Government. These measures, it was thought, "involved an act of injustice, as invading what had long been regarded as a right on the part of the Colonies," and a sense of this added to the natural annoyance felt by those who were in this country directly affected by these great fiscal changes.

"Nor," adds Lord Grey, "is this all; the abandonment of the ancient commercial system of this country towards

the Colonies brought a still larger question under discussion. Not only those who still adhered to the opinion that the former policy with respect to colonial commerce was the right one, but many of the most eager advocates of free trade concurred in arguing that, if the Colonies were no longer to be regarded as valuable on account of the commercial advantages to be derived from their possession, the country had no interest in keeping these dependencies, and that it would be better to abandon them; thus getting rid of the heavy charge upon the country, especially in providing the requisite amount of naval and military force for their protection. In like manner the colonists began to inquire whether, if they were no longer to enjoy their former commercial privileges in the markets of the mother country, they derived any real benefit from a continuance of the connection. It is obvious that questions of this kind could not be raised without creating great difficulties in the administration of colonial affairs, and the more so because it is impossible to deny that the view of the subject to which I have adverted is at least plausible; and when the old doctrine that the great value of Colonies arises from the commercial monopoly which the mother country can claim with respect to their trade is abandoned, some other explanation may fairly be asked of the grounds on which we should nevertheless continue to support the charges inseparable from the maintenance of our colonial Empire."

Lord Grey then gave his own answer to this question. The British colonial Empire ought to be maintained, he thought, because the nation would not be justified in throwing off the responsibility which it had incurred by the acquisition of this dominion, and because "much of the power and influence of this country depends upon its having large colonial possessions in different parts of the world. The possession of a number of steady and faithful allies, in various quarters of the globe, will surely be admitted to add greatly to the strength of

any nation ; while no alliance between independent States can be so close and intimate as the connection which unites the Colonies to the United Kingdom as parts of the great British Empire. Nor ought it to be forgotten that the power of a nation does not depend merely on the amount of physical force it can command, but rests in no small degree upon opinion and moral influence ; in this respect British power would be diminished by the loss of our Colonies to a degree which it would be difficult to estimate."

Lord Grey also pointed to the immense advantage belonging to the Colonies, as being yet weak States, and to their individual citizens, of belonging to the Empire, and, in the case of the Colonies where a small number of whites lived among large coloured populations, to the necessity of the imperial strength as a means of upholding and extending civilization. The argument, as a whole, is of course irresistible, and it shows the change of ideas between 1852 and the present time, that Lord Grey thought it necessary to develop it at length. One effect of the revolution in fiscal policy he also pointed out, namely, the removal of impediments in the way of full self-government to which it had led.

"While it was our policy to maintain a monopoly of the trade of the Colonies, it was necessary for the Home Government to exercise a considerable control over their internal administration, because otherwise this monopoly would certainly have been evaded, and accordingly it will be found, on looking back at the earlier history of our Colonies (especially those which now constitute the United States), that the interference of the servants of the Crown in their internal affairs, and the differences which that

interference occasioned, arose almost entirely from the endeavour to uphold the commercial system then in force. The abandonment of that system has removed the necessity for this interference. Secondly, I think it will follow, that when this country no longer attempts either to levy a commercial tribute from the Colonies by a system of restriction, nor to interfere needlessly in their internal affairs, it has a right to expect that they should take upon themselves a larger proportion than heretofore of the expenses incurred for their advantage."

This expectation has been largely fulfilled. As the great Colonies have successively achieved full self-government they have ceased to involve the Government of the United Kingdom in military expenditure for their defence. They are now beginning, as a further step in advance, to contribute to the forces which protect imperial interests at sea.

In his old age, in 1892, Earl Grey published a melancholy pamphlet called "The Commercial Policy of the British Colonies and the McKinley Tariff." He was then ninety years of age. In this tract he said that, although the old colonial system was impolitic and vexatious,

"it was wise to insist that the commercial policy of all the British dominions should be conducted upon one uniform system, with a view to the benefit of the whole Empire, and that the Imperial Parliament should retain in its hands authority to decide what that policy should be. When the system of free trade was adopted, no question had ever been raised as to its being right to maintain this authority of Parliament, nor was it imagined by any one that it was to be relinquished because the new policy of relieving trade from injurious restrictions was adopted. It was, on the contrary, assumed by all parties, as a matter of course,

that the commercial policy of the Empire would continue to regulate as heretofore all measures relating to the Colonies."

The essence of this new policy was that there should be no duties discriminating between the produce of one country and that of another. This principle was, as we have seen, embodied in the Imperial Parliament's Australian Act of 1850 and abandoned by that of 1873. This last Act, thought old Lord Grey, sadly reflecting upon shattered hopes and unfulfilled predictions, was one backsliding from pure principle, and, he said, the French Commercial Treaty of 1860 was another, which had prevented foreign nations from following our free trade example. Such were the opinions of one of the last of the Whigs, not really far removed in essence from those of Lord Lyndhurst. They were a confession that the deliberate attempt made by the English Liberals to compel free trade between all parts of the Empire had been a failure, or, rather, only a partial and one-sided success. The ideas of Lord Grey, like those of all the older Whigs, had been founded upon the teaching of Adam Smith. That writer had attributed much of the abounding prosperity of the Great Britain of his day to the fact that, although there were barriers in respect of external commerce, there were not, as then in continental countries, octrois interfering with the free movement of internal trade. He said :

" This freedom of interior commerce, the effect of the uniformity of the system of taxation, is, perhaps, one of the principal causes of the prosperity of Great Britain, every great country being necessarily the best and most extensive market for the greater part of the productions of its own

industry. If the same freedom, in consequence of the same uniformity, could be extended to Ireland and the Plantations, both the grandeur of the State and the prosperity of every part of the Empire would probably be still greater than at present." \*

This passage is the very foundation of the doctrine of preferential relations as the nearest immediately practicable approach to free trade within the British Empire. Freedom of commercial intercourse was extended to Ireland by means of the Legislative Union, but the attempt made by Lord Grey and his friends to make it complete within the Empire has so far failed. The result has been of a mixed character. The Empire, so far as it is controlled from London, is based upon free trade principles. No protective duties are raised in India, or the Crown Colonies, or Protectorates. Only low duties are raised, supposed to be purely for revenue. But so far as the Empire consists of self-governing Colonies it has hitherto been divided by walls of protection raised by those States. This result has, in recent years, been modified by the resurrection in theory and practice of the conception of preferential relations.

### III

The opinion of the early-Victorian Radical free-traders was well expressed in one of Cobden's speeches, made on 12th April, 1842. "The colonial system," said that orator, "with all its dazzling appeals to the passions of the people, can never be got rid of except by the indirect process of free trade, which will gradually and imperceptibly loosen the

\* "Wealth of Nations," Book V. ch. II.

bonds which unite our Colonies to us by a mistaken notion of self-interest."

Cobden also said that, in his opinion, "we should, as speedily as possible, sever the political thread by which we are as communities connected; and leave the individuals on both sides to cultivate the relations of commerce and friendly intercourse with other nations."

These passages have often, but not quite fairly, been quoted in order to show that Cobden was hostile to any connection of any kind, and that he desired to see the Colonies absolutely independent though friendly States. When he spoke in 1842 of the "colonial system" and the "political thread" he had in his mind not the state of relations existing in 1913, of which he might not have disapproved, but the system of trade preferences, navigation laws, regulation of trade from Westminster as it existed in his day. This was the objective of his attack, not the present state of things in which the self-governing dominions are, practically, States almost as independent as even Cobden could have desired. The Cobdenite Liberals of the "forties" saw in the old colonial system, and saw truly, an obstacle, and probably an increasingly formidable obstacle, to their desire to establish the policy of free imports for the United Kingdom. They were not deliberately trying to break up the Empire, but, concentrated in their fierce attack upon protection and landowners at home, they were almost blind to greater or wider interests—they were willing to let the unity of the Empire take care of itself, and come to grief if necessary, and they cared little whether that happened or not.

"If," said Disraeli in his famous speech at the Crystal Palace on 24 June, 1872, "you look to the history of this country since the advent of Liberalism forty years ago, you will find there has been no effort so continuous, so subtle, supported by so much energy, and carried on with so much ability and acumen, as the attempts of Liberalism to effect the disintegration of the Empire of England."

These words impute too much conscious intention. It is, however, undoubtedly true to say that minds of the Liberal cast have been, and still in some degree are, inclined to view imperial interests with jealousy and suspicion as dangerous to democratic government at home, just as minds of the opposite complexion have been disposed to fear democratic advances at home as being dangerous to empire. The greatest exponent of the former view was Mr. Gladstone, who disliked and bitterly opposed both Lord Palmerston and Lord Beaconsfield because these strong and masculine statesmen chose for their star of guidance the visible interests of England and the Empire.

This speech at the Crystal Palace was one of the best thought-out and most important ever made by Disraeli. In it he said that the Tory party had deserved their overthrow in 1846.

"A long course of power and prosperity had induced it to sink into a state of apathy and indifference, and it had deviated from the great principles of that political association which had so long regulated the affairs and been identified with the glory of England. Instead of the principles professed by Mr. Pitt and Lord Grenville, and which those great men inherited from Tory statesmen who had preceded them not less illustrious, the Tory system

had degenerated into a policy which found an adequate basis on the principles of exclusiveness and restriction. The Tory party unless it is a national party is nothing."

On the other hand, the Liberal party, said Disraeli, had

"introduced a new system into our political life. Influenced in a great degree by the philosophy and the politics of the Continent, they endeavoured to substitute cosmopolitan for national principles; and they baptized the new scheme of politics with the plausible name of 'Liberalism'. . . . The tone and tendency of Liberalism cannot be long concealed. It is to attack the institutions of the country under the name of Reform, and to make war on the manners and customs of the people of this country under the pretext of Progress. During the forty years that have elapsed since the commencement of this new system the real state of affairs has been this: the attempt of one party to establish in this country cosmopolitan ideas, and the efforts of another, unconscious efforts, sometimes, but always continued, to recur to and resume those national principles to which they attribute the greatness and the glory of the country."

He confessed that when the Liberal view of getting rid of the Colonies was adopted under the plausible plea of granting self-government, he himself thought that "the tie was broken." "Not," he added,

"that I for one object to self-government. I cannot conceive how our distant Colonies can have their affairs administered except by self-government. But self-government, in my opinion, when it was conceded, ought to have been conceded as part of a great policy of imperial consolidation. It ought to have been accompanied by an imperial tariff, by securities for the people of England for the enjoyment of the unappropriated lands which belonged to the Sovereign as their trustee, and by a military code which should have precisely defined

the means and the responsibilities by which the Colonies should be defended, and by which, if necessary, this country should call for aid from the Colonies themselves. It ought, further, to have been accompanied by the institution of some representative Council in the metropolis, which would have brought the Colonies into constant and continuous relations with the Home Government. All this, however, was omitted, because those who advised that policy, and I believe their convictions were sincere, looked even upon our connection with India as a burden upon this country, viewing everything in a financial aspect, and totally passing by those moral and political considerations which make nations great and by the influence of which alone men are distinguished from animals.

"Well, what has been the result of this attempt during the reign of Liberalism for the disintegration of the Empire? It has entirely failed. But how has it failed? Through the sympathy of the Colonies with the mother country. They have decided that the Empire shall not be destroyed, and, in my opinion, no Minister in this country will do his duty who neglects any opportunity of reconstructing as much as possible our colonial Empire, and of responding to those distant sympathies which may become a source of incalculable strength and happiness to the land."

### IV

The following outline of events may be useful to connect the period treated in this book with the present time.

After the disappearance of the old system of preferential relations with the United Kingdom, the Canadians established for themselves more or less protective duties. This was followed by the reciprocity treaty with the United States, negotiated by Lord Elgin in 1854. It lasted until 1866, when it was terminated by the Government of the United States. This was one of the causes which powerfully

contributed to the larger Federal Union of the North American Colonies in 1867. In 1878, Sir John Macdonald, leading the Opposition at Ottawa, embodied his policy in a resolution well worth quoting, viz.:

"That this House is of opinion that the welfare of Canada requires the adoption of a national policy which, by a judicious readjustment of the tariff, will benefit and foster the agricultural, the mining, the manufacturing and other interests of the Dominion; that such a policy will retain in Canada thousands of our fellow-countrymen now obliged to expatriate themselves in search of employment denied them at home, will restore prosperity to our struggling industries, now so sadly depressed, will prevent Canada from being made a sacrifice market,\* will encourage and develop an active inter-provincial trade, and moving (as it ought to do) in the direction of a reciprocity of tariffs with our neighbours, so far as the varied interests of Canada may demand, will greatly tend to procure for this country, eventually, a reciprocity of tariffs."

The then existing Canadian Government, led by Mr. Mackenzie, on the contrary, staked its existence on the maintenance of a pure "revenue tariff," and was badly defeated in the following General Election of 1878. This brought Sir John Macdonald into power, and established the Canadian protective policy.

Certain signs of revolt against the pure doctrine of free trade appeared in England in the early "eighties," and suggestions of some return to the old preferential system were discussed at the Colonial Conference held in London in 1887. It was at this Conference that the South African statesman

\* "Sacrifice market"—we should now say "dumping ground."

Hofmeyr made the suggestion that each State in the Empire should impose a common revenue duty upon goods when imported from non-British countries, in addition to any existing duties, and that the revenue thus obtained should be devoted to purposes of common defence. Sir John Macdonald favoured the idea that a fixed duty of 5s. might be placed upon foreign corn coming into the United Kingdom, colonial corn being given free entrance. On the 8th April, 1891, he wrote a letter (quoted in his "Life," vol. ii. p. 215) to Mr. W. H. Smith, then leading the Conservative party in the House of Commons, in which he pointed out that the Canadian tariff on imported manufactures averaged 30 per cent., while that of the United States averaged 60 per cent. He then said :

"While Canada cannot promise a reduction of her customs duties, she will be quite ready to give British goods a preference of 5 or even 10 per cent. in our markets, if our products receive a corresponding preference in England."

On the 30th March, 1891, Sir John Macdonald had written to a friend :

"I agree with you that we should have a reciprocity treaty with England. Years ago (in 1879) I, with Sir Leonard Tilley and Sir Charles Tupper, made a proposition to that effect, while we were on a visit to London. The difficulty is that no English statesman has yet mustered courage to take up this question. Lord Salisbury will probably go to the country next summer, and, if he is successful, I shall renew the proposal. We can hope nothing from Gladstone, so we must watch events."

Sir John Macdonald died a few weeks after he

had written these letters. Sir Wilfrid Laurier, leader of the Liberal party, became Prime Minister of Canada in 1896, and in respect of trade policy continued upon the lines traced by Macdonald. Meanwhile the movement in favour of a renewed preferential system grew in England and was adopted by many Chambers of Commerce. At the Ottawa Conference of 1894 and the London Conference of 1897 the colonial Governments made clear their desire for special preferential relations with the United Kingdom. Canada, in 1894, passing from words to action, gave a large preference, afterwards increased, to certain manufactures of the United Kingdom, and, to facilitate this step, Lord Salisbury denounced treaties with Germany and Belgium which blocked the way. At the Colonial Conference\* in 1902, and again at the Imperial Conference of 1907, the following resolutions, which, come what may, will remain a landmark in imperial history, received the assent of the Prime Ministers of the Dominions : †

“1. That this Conference recognizes that the principle of preferential trade between the United Kingdom and His Majesty’s dominions beyond the seas would stimulate and facilitate mutual intercourse, and would, by promoting the development of the resources and industries of the several parts, strengthen the Empire.

“2. That this Conference recognizes that, in the present circumstances of the Colonies, it is not practicable to adopt a general system of free trade as between the mother country and the British dominions beyond the seas.

“3. That with a view, however, to promoting the increase of trade within the Empire, it is desirable that those

\* These Conferences did not receive the title of Imperial Conferences until that of 1907.

† The Imperial Government dissented in 1907 from these Resolutions “in so far as they imply that it is necessary or expedient to alter the fiscal system of the United Kingdom.”

Colonies which have not already adopted such a policy should, so far as their circumstances permit, give substantial preference to the products and manufactures of the United Kingdom.

"4. That the Prime Ministers of the Colonies respectfully urge on His Majesty's Government the expediency of granting in the United Kingdom preferential treatment to the products and manufactures of the Colonies, either by exemption from, or reduction of, duties now or hereafter imposed.

"5. That the Prime Ministers present at the Conference undertake to submit to their respective Governments at the earliest opportunity the principle of the resolutions, and to request them to take such measures as may be necessary to give effect to it."

The example of Canada in giving preference to the United Kingdom and other parts of the Empire was followed by New Zealand in 1903, South Africa in 1906, and Australia in 1907. Intercolonial preferences between these four great dominions have now been established, and even the Liberal Government of the United Kingdom has sanctioned similar arrangements between the West Indies and Canada. As Sir Guy Fleetwood Wilson, the Finance Member of the Indian Government, said in a speech in the Indian Legislative Council on March 17th, 1913, after resuming this history : \*

"Thus the self-governing portions of the British Empire, excepting alone the United Kingdom and Newfoundland, have gradually formed a network of imperial and inter-imperial preferential trading arrangements. The British Empire may be said to be regarded as consisting not of an aggregation of separate entities with no mutual relations to each other, but of a family of States animated by a

\* In this well-balanced speech Sir G. Fleetwood Wilson stated facts without drawing conclusions. All the Indian members of the Council appeared to be in favour of moderate protection and preferential relations.

common family purpose. Each State, in the first instance, organizes its tariff and its policy to suit its own financial and economic needs, and gives an imperial sanction to its policy by granting to other parts of the Empire as large a measure of trade advantages over foreign countries as is consistent with its own economic development."

The proposition contained in the fourth of the resolutions passed at the Imperial Conferences of 1902 and 1907 still stands before the United Kingdom, not as yet accepted. Mr. Chamberlain's attempt of 1903 was based upon the national policy maintained and even expanded by Sir Robert Peel in 1842 and 1843, but abandoned by that statesman at the end of 1845. The proposal was defeated, but its principle has been accepted by one of the great British parties; it is resisted more and more weakly by the other; and will, if these signs can be trusted, be carried into effect, in some shape, at no very remote date.

This question, between 1903 and 1906, contributed to the decline and fall of a powerful British Government, which hesitated to act in one way or the other. The rejection of the preferential policy by the succeeding Liberal British Government led to, or, at least, significantly preceded, Sir Wilfrid Laurier's attempt to restore reciprocal relations between Canada and the United States, and this step led, in 1912, to the fall of Sir Wilfrid Laurier's Administration. Thus, the question has already destroyed one Government in the United Kingdom and one in Canada, so closely intermingled are now the politics of the free States of the British Empire. On questions of imperial trade and imperial defence much of the internal politics of the United Kingdom,

India, Canada, Australia, New Zealand, and South Africa will turn in the near future. These are the pangs of travail which attend the birth of a new conception of empire. Not, as to "Capys, the sightless seer," was any revelation of this future made to men who, like Cobden and Bright, blindly laboured at the task, necessary, perhaps, of destroying the ancient Imperial System whose spirit one day shall again arise clothed in a new and more glorious body. Its enemies shall be scattered, and they that hate it shall flee before it. A true spirit operates in different modes at different times, but is in itself immortal and unchangeable.

## CHAPTER XI

### THE EXISTING SYSTEM.

THE repeal of the Navigation Laws in the Session of 1849 virtually ended the economic revolution which began in the year 1842. It is needless to describe in detail the process by which the remnants of the old system were, in later years, gradually removed. The General Election of 1852, after Lord Derby's brief spell of office, confirmed in power the Whig-Peelite combination. Disraeli, guiding the Conservatives, accepted Fate's decree and dismissed into abeyance the doctrine of protection. Gladstone, as Chancellor of the Exchequer in 1853, reinforced the revenue by a wide extension of death duties, since then carried to far greater lengths by his successors. He, also, much applauded by the English middle classes, began the process of levelling up the Irish spirit duties which, together with the simultaneous extension of the income tax to Ireland, placed upon that unfortunate island, in one of the most distressful periods of its history, a crushing load of new taxation. In the same Budget he removed all customs duties upon semi-manufactures and swept away the remaining preferences given, till then, to colonial and foreign produce and manufactures. The duties upon

numerous articles were reduced. Seven years later, under the same Chancellor of the Exchequer, the tariff was further purged. The treaty of 1860 with France, negotiated by Cobden, destroyed the preference under which a flourishing export trade of South African wine had grown up, annihilated that industry, and added to the discontent of the Boers. The last surviving colonial preference also then disappeared, when duties on foreign and colonial timber were equalized at the former colonial rate of 1s.\* By the year 1866 the sources of indirect taxation were very nearly the same as they are at the present day, almost the whole burden resting upon alcoholic drinks and tobacco, and, in a minor degree, upon tea, coffee, sugar, and dried fruits. The duty on imported timber was abolished in 1866, that of 1s. a quarter upon corn in 1869. This last duty was always described as a "nominal" or "registration" duty, but so greatly had the import of foreign corn increased that, in 1869, the duty was making a fine contribution to public revenue. In 1850 the duty had produced about half a million of revenue, with an import of  $35\frac{1}{2}$  million cwt. of corn and flour. In 1854 the receipts fell to £330,000; in 1862 they rose as high as £970,000; and in 1869, with an import of corn of about 70 million cwt., the duty produced £800,000 to £900,000. When it was reimposed for a year, 1902–3, it produced £2,347,000. Mr. Sydney Buxton, now (1913) President of the Board of Trade in a Liberal Government, writing in 1888, after giving, as in duty bound, some orthodox

\* Even at this nominal duty the customs duty on timber was yielding over £900,000 a year, when, in obedience to theory, it was abolished in 1866 by Gladstone. An excellent account of Gladstone's fiscal changes is contained in Mr. Sydney Buxton's book, "Mr. Gladstone, a Study," Murray, 1901.

reasons in favour of the abolition of the 1s. duty in 1869, adds :

"At the same time there was something to be said against the permanent relinquishment of a branch of revenue profitable in itself, and collected with very little trouble, expense, or hindrance to trade, and one practically not affecting the price of food ; and it is pretty certain that if the duty were still in existence it would now be retained. But the period was one of a somewhat reckless relinquishment of indirect taxation, and though advantageous to trade, the fiscal action taken in 1869, and in the years immediately succeeding, tended to hamper the finances of the country and to hinder the necessary redemption of debts." \*

In the year 1902 Sir Michael Hicks Beach reintroduced this shilling duty upon imported corn, explaining that he did so not only to meet the expenditure caused by the African War then just ended, but to secure a permanent source of taxation. The proposal was furiously attacked by the Liberals, partly because they thought that it would be unpopular, and partly because they had reason to believe that it might be used as a means of restoring, as Mr. Chamberlain desired and Sir Wilfrid Laurier hoped, the old system of colonial preference. Sir William Harcourt, an ex-Chancellor, called the 1s. duty an "infamous" tax, and Sir Henry Campbell-Bannerman said that the conduct of those who imposed it was "atrocious." This language would have fairly astonished their Whig predecessors, the Russells and the Greys, once the advocates of a fixed duty of 8s. or 5s. on wheat. Nor did it even harmonize with the regretful view expressed by Mr. Sydney Buxton, a sound Liberal, in 1888. In

\* Sydney Buxton, "Finance and Politics," vol. ii. p. 93.

the following year, 1903, the Unionist Government, demoralized by ill-success at by-elections, fearing the effect of the old free trade cry, and themselves divided in opinion, withdrew the duty which their chief speakers had, in the preceding year, described as a permanent addition to the sources of revenue. The tax on sugar, however, also reimposed in 1902, remained, and has not yet been dropped by the succeeding Liberal Government, though reduced.

By the Gladstonian reforms the weight of indirect taxation was thrown upon a limited number of articles, the cost of which forms a larger proportionate part of the total expenditure of the poorer classes than it does of that of the more well-to-do. This was a departure from the doctrines of Adam Smith and from all the older ideas of equitable taxation. It used to be held, before the fiscal revolution, that, if taxation were spread over a wide area of goods, every social class was taxed equitably according to its consumption, the best test of taxable capacity. The quarrel of the Whigs with the Tories was not upon the subject of taxation for the sake of revenue, but on that of heavy duties, for protective or exclusive objects, upon special articles such as corn and sugar, and on the subject of the high preference given to colonial produce.

How came this idea to be modified? Largely, no doubt, by the introduction of the income tax and death duties. The new conception arose that the wealthier classes contributed their share towards national expenditure mainly through taxes on capital and income, while the mass of the nation contributed their share mainly through taxes upon tea, sugar, beer, spirits, and tobacco. Mr. Gladstone at one

time imagined that expenditure could be almost entirely defrayed from these last sources and by retrenchment. He long retained the Whig hostility to the income tax. In his speech of 13th May, 1858, in the House of Commons he repeated the old objections made by Russell and Macaulay in 1842. "I believe," he said, "that the income tax does more than any other tax to demoralize and corrupt the people. . . . So long as you consent, without a special purpose, to levy the income tax as a part of the ordinary and permanent revenue of the country, so long will it be vain to talk of economy and effective reduction of expenditure." When he went to the country sixteen years later he indicated the abolition of income tax as the chief feature of his programme.\*

The progressive simplification of taxes upon articles of consumption was condemned by some of the older advocates of the principle of free trade. Among these was McCulloch, one of the leading economic writers belonging to that school of thought. In the third edition of his book upon taxation, published in 1863, he wrote :

"While we admit various luxuries of the rich and the great, including the most *recherché* wines, at very low duties, and many more, comprising, among others, the finest laces, velvets, porcelain, tablecloths, carpets, silks, gloves, ornamental furniture, bronzes, and so forth, free of all charge, we lay heavy duties on the tea and sugar which are indispensable to the labouring poor, and heavier

\* Mr. Gladstone did not state one objection to income tax, viz., that it is a tax not on real income but on money, or nominal, income. If by a great gold influx there is a rise of prices and wages, the real income of large classes of income tax payers may be halved while the tax on it remains the same. The money income of some classes rises and falls with prices, that of other classes remains constant.

still on the tobacco, the spirits, and the beer which constitute their luxuries." \*

McCulloch was convinced that the modern system was, in reality, opposed to the fundamental principles of free trade. He wrote :

" Moderate duties, provided they be generally imposed, that is, provided they affect equally all articles (except the raw materials of manufacture) without regard to their nature or origin, have nothing that is in any degree inconsistent with the most perfect freedom of trade. But a system which heaps up heavy and sometimes exorbitant duties on certain articles of import, while it admits a host of other articles duty-free or under low duties, is altogether contrary to and inconsistent with anything like freedom. It has, in truth, all the worst features of the old protective policy, being a mere tissue of preferences and *quasi*-prohibitions. By admitting large classes of articles duty-free, or at low duties, while we burden others with duties that are oppressive and sometimes well-nigh prohibitory, we do all in our power to encourage the importation of the former and to discourage that of the latter. Such a system is unjust to our own people, inasmuch as it lessens their power to select among different articles those which, if left to their own free choice, they might have been disposed to prefer, and it is also a most ungracious proceeding, or rather an act of hostility, towards the foreigners who supply the highly taxed articles. A policy of this sort cannot be maintained without influencing and changing to a great extent the whole course of trade, and forcing it into artificial and therefore less productive channels. We are, in truth, establishing a system which involves the extremes of preference and repulsion. Under a really free commercial code all commodities would be treated alike. They would all be admitted duty-free, or be all charged with reasonable

\* It is really incorrect to say that tobacco and beer are more luxuries than sugar and tea. Tea has to a certain extent taken the place of the beer which has always been indispensable in England.

duties, so that in either case the merchants and public would be left without any interference on the part of Government to determine which should be imported and made use of. But we allow no such option. We dictate the course which we wish every one to follow, and say, 'If you order such-and-such articles which we have resolved to patronize, you may import them duty-free, but have a care how you order other articles, which we reckon less deserving of our favour, for on these you will have to pay duties of 50, 100, 300, or perhaps 400 per cent.' And if these latter be, notwithstanding, extensively imported, it is only because they are articles which the great bulk of the people, the lower and labouring classes, regard as indispensable. It may be doubted whether it be possible to imagine a system more entirely destitute of that liberality and equality without which there can be no freedom in trade or in anything else. Its rise and development would not, at any time, have been an easily explained phenomenon. But that it should have been introduced and grown up consentaneously with that free trade policy of which it is wholly subversive, is one of the most striking contradictions of which we have any account."

The explanation, no doubt, is that during the long supremacy of Liberalism the then all-powerful middle classes, traders and manufacturers, thought it to their interest to relieve almost all imports entirely from duties, and to abolish almost all the old excise duties. But statesmen could not meet from the direct taxes, paid by those classes, the whole national expenditure of the country, in addition to all the local expenditure. It was therefore necessary to maintain very high duties upon certain articles of consumption which were so indispensable to the mass of the people that, from the most common-sense point of view, they rank as necessities of life, such as beer, spirits, tobacco, tea. Another passage may be quoted from McCulloch:

"It has occasionally been objected to indirect taxes, or at least to customs duties, that they are inconsistent with the great principle of free trade. But there is hardly even a plausible, much less a real, foundation for this statement. When equal and moderate duties are laid on commodities, without respect to the countries whence or the channels through which they come to us, the trade in them is quite as free as it would be were the duties repealed. Suppose the existing duty of 1s. a quarter on foreign wheat were increased to 5s. or 7s. a quarter, that would not render the trade less free than it is at this moment. Such increase might lessen importation, but that would be all. Trade is not absolute but relative, and consists in the absence of whatever is partial, oppressive, or unjust. Trade is quite as free when there are duties on imports and exports as when there are none, provided these duties be moderate, press equally on all articles, and involve no preferences. The fair and free competition of horses in a race is not affected by their being all made to carry the same weight. And everybody knows that there is the same keen and close competition in the trades subjected to excise duties that there is in those that are duty-free; and that a moderate increase in the cost of an article, whether occasioned by a tax, or anything else, uniformly serves to stimulate the exertions of its producers. This objection is, therefore, not tenable, and was, perhaps, hardly worth notice; when not put forward as mere clap-trap, it can only originate in an entire misconception of what is meant by free trade."

The same point of view was well put by Lord Overstone, the financier, in a speech made on 15th March, 1860, in the House of Lords on the subject of the commercial treaty with France. The treaty, he said, would compel us to surrender taxes that were singularly unexceptionable, and to impose other taxes open to serious objections. "We are about to repeal duties on French luxuries, brandy, wines, manufactured silks, gloves, clocks and watches, and

articles of Parisian fancy and taste, whilst instead of these we maintain high duties on tea, sugar, and beer, the prime articles of consumption of the class living upon wages." What, asked Lord Overstone, was the true meaning of free trade? He replied, "It means trade freed, not from those necessary duties which are raised only for the purposes of revenue, but trade freed from all charges or duties which arise either from an ignorant jealousy of other countries or from an equally foolish impression that it is our interest to foster unnatural productions in our own country, rather than to receive them from other countries whence, being produced under more favourable circumstances, they can be obtained in large quantities, of better quality, and at a lower price. . . . Every one of the duties proposed to be abolished in consequence of this treaty might be retained without any violation of the principles of free trade."

Apart from the question whether, on the principle of reciprocity, the gains under this treaty were worth the sacrifice, this quotation is interesting as the view of a strong free-trader in 1860. He did not so much as advert to the view which marked the later development, or decadence, of the free trade theory that a moderate revenue duty, on, *e.g.*, French watches, might give an illegitimate profit to the English watchmaker at the expense of the English purchaser. This is not, indeed, a view which could ever carry much weight in the mind of any man of practical sense. It certainly never occurred to Adam Smith as an objection to revenue duties.

Lord Overstone asked on what principle did Sir Robert Peel proceed. The removal, he replied,

of two classes of duties—duties upon the raw materials of industry, and duties upon the prime articles of the food of the people. The French treaty did not follow in the line of that policy, but removed taxes upon the luxuries of the well-to-do.

"We are," said Lord Overstone, "contracting the area of indirect taxation, which is at once unwise and dangerous. We are proceeding to levy customs duties, heavy in amount, on a few articles, instead of lighter duties spread over a greater number of articles. . . . To levy a large customs revenue upon a few articles, at the same time repealing customs duties upon all articles which yield only a small revenue, necessarily involves the principle of taxing the consumption of the people generally, and removing the taxes which press more peculiarly upon the richer classes. The luxuries derived from France are to go untaxed, whilst from tea, sugar, coffee, and tobacco (articles of almost absolute necessity to the mass of the people) a large and heavy revenue is to be raised."

Arthur Young, a man of soundest common sense, in his account of his travels in France, written shortly before the beginning of the French Revolution, said :

"The taxes of England are infinitely various; much more so than those of France; especially in the articles of excise and stamps; our taxes are also very great—in proportion to the population of the kingdom much more than double those of France; yet with this vast burden they are borne by the people with much more ease than the French nation bears less than the half. This is to be attributed not to one cause only, but to many; but amongst the causes, I believe, will be found this great variety of points on which they may bear. The mere circumstance

of taxes being very numerous, in order to raise a given sum, is a considerable step towards equality in the burden falling on the people. If I was to define a good system of taxation, it should be that of *bearing lightly on an infinite number of points, heavily on none.* In other words, *that simplicity in taxation is the greatest additional weight that can be given to taxes, and ought in every country to be most sedulously avoided.* By a system of simplicity in taxation, let it be exerted in whatever method, whether on land, on persons, or on consumption, there will always be classes of the people much lighter taxed than other classes; and this inequality will throw an oppressive burden on those who are most exposed to the operation of whatever tax is chosen."

Sir George Cornwall Lewis, a sound and sane Whig, and Chancellor of the Exchequer for a time under Palmerston, when he spoke in the Budget debate of 1857 quoted and agreed with Arthur Young. "That opinion," he said, "though contrary to much that we hear at the present day, seems to me to be full of wisdom, and to be a most useful practical guide in the arrangement of a system of taxation." Mr. Gladstone expressed the utmost horror of Sir George's heretical opinion, which was undeniably an absolute condemnation of his own way of distributing taxation. To yield, in the name of public good, to powerful trade interests desiring release each from its own burden was, in those days, to follow, unconsciously and with a pleasing sense of liberal virtue, the line of most popularity with the then governing class, and therefore of least resistance. The policy was made the more easy by the increase of two millions a year in Irish revenue between 1850 and 1860, most of it wrung from a declining and decaying

population through the medium of an enormously increased tax on their national drink, a policy for which the Royal Commission on Financial Relations in their Report of 1896 unanimously found that there was in the circumstances of the time no justification whatever. The result of over-contribution to public revenue in proportion to taxable capacity which that Commission found to be the case when Ireland, taken as a distinct entity, was compared with Great Britain, would also have been found to be true had any other specially poor section of the United Kingdom been isolated for purposes of comparison. Under the existing system of taxation the poorest households are over-taxed, through spirits, beer, tobacco, tea and sugar, in proportion to their relative means of existence.

Fiscal legislation during the second half of the nineteenth century has tended, in so far as revenue is raised from articles of consumption, to diminish the proportion raised by customs duties relatively to that raised by excise, and to make the customs duties, with the exception of the countervailing duties upon foreign beer and spirits, fall exclusively and heavily upon such goods as wine, tobacco, sugar, dried fruits, etc., not produced in the United Kingdom. In the eighteenth century, before the great wars with France, there was no tax connected with beer, the national and almost universal drink, except a small excise duty upon beer and another upon malt. The malt duty was enormously raised during the wars. The excise duty upon beer was taken off in 1830, but there was one on hops, and a malt duty remained until 1880, when it was

replaced by an equivalent tax upon beer. The general result of these changes was that the poor Englishman had to pay much more for his beer in the nineteenth century than he did in the eighteenth, and the final fiscal arrangements destroyed the old common practice by which the labourer could buy some malt and hops, and make a light, pure, and healthy beer at home for himself, saving manufacturing and retailing profits. Our fiscal legislation gave a monopoly to the large brewers, and plundered the people through them, increased drinking habits, and injured the quality and salubrity of beer. Disraeli, like the old Tory-Radical from whom, without the least acknowledgment, he borrowed so much—William Cobbett—was always an advocate of a reduction of the taxation drawn from the English people through their most wholesome and national drink. He said on 5th July, 1850, in a debate upon the malt tax:

“The point upon which the people of the United Kingdom must decide is whether the burden of the public taxes shall be raised externally or internally. It is a controverted position whether the foreigner pays any portion of a customs duty, but I hardly think any one will maintain the thesis that the foreigner pays an excise duty, or any portion of it.”

He added :

“ If there be any object which more than another ought to engage the attention of the statesmen of this country, it is the necessity of consolidating our colonial Empire. we wish to maintain our political power, or our commercial wealth, we can only secure those great results by the consolidation of our colonial Empire.”

He then suggested that if during the recent period of fiscal change Parliament had lightened the burdens of the people by reducing or removing rather the excise than the customs duties, they might, while giving equal relief to the poorer classes, have maintained a system which opened a way towards the consolidation of the Empire.

The duties upon beer and spirits are now enormous in this country, the natural price of tea is almost doubled, and that of ordinary tobacco more than quintupled by the load of taxation. The result is an excessive inequality in the incidence of taxation. A family with £50 a year consumes almost or quite as much of these commodities as a family with £100 or £150 a year, and so contributes far more to taxation in proportion to its means. A man who does not smoke or consume alcoholic drink, and is below income tax level, contributes little towards national revenue, though he benefits as much by national expenditure as his neighbour, who may, quite rationally, prefer the "luxury" of tobacco to that of beef, and that of beer to that of lemonade.

In 1841 customs produced £23,821,000 and excise, covering a great variety of articles, produced £15,478,000. In 1911-12 customs produced £33,596,606 and excise produced £38,249,000.

More than half the whole customs revenue in 1911-12—viz. £17,342,000—was derived from the single article of tobacco, and £5,304,000 of the residue from imported spirits and wine. Out of the total £38,249,000 raised by excise duties, £31,839,000 was derived from beer and spirits. Thus out of a total of about £71,845,000 raised by customs and excise in 1911-12, no less than

£57,968,000 was raised by taxation of alcoholic drink and tobacco. It seems to be thought that those who do not smoke or drink must be rewarded by exemption from a great part of the burden of national expenditure. This policy has been good for comfortable English temperance folk, but very bad for poor Irish people, e.g., who do not attach so much importance to this particular species of virtue. But the Irish have had practically no voice in the arrangement of taxation, and the poorest classes in England and Scotland not much either.

*“Simplicity in taxation is the greatest additional weight that can be given to taxes, and ought in every country to be most sedulously avoided.”* Every one knows that in carrying a load the weight ought to be distributed as evenly as possible, so as not to oppress a single arm or shoulder. The effects of piling so vast a weight of taxation upon the consumption of beer, spirits, and tobacco has never been sufficiently considered. The real object has always been to raise revenue, by taxing that which the masses will not go without; but this has been veiled by perhaps unconsciously insincere phrases intimating that the true or dominant purpose is the suppression or discouragement of certain forms of self-indulgence. The wealthier classes have their own pleasures, and have not been unwilling to make those of the poor expensive in a way which at once assists to meet the exigencies of public expenditure and pleases a peculiar form taken by conscience in a large section of social England, now somewhat declining in relative power and influence.

## II

Our modern fiscal system certainly does not satisfy the requirements of equity in taxation. Has it secured for a long future our commercial position in the world and the most sound and healthy condition of home industry?

Those advocates of free trade during the fiscal revolution who kept their eyes upon the near horizon certainly had the best of the argument. They were Lords of the Obvious. Few of their opponents were capable of taking longer views, or of looking deeply into existing things. Among these few was Disraeli, and some of his views are well worth repetition and reconsideration at the present day. Three passages may be quoted from his speeches in 1849 and 1850, and one from an earlier speech made in 1846. In a speech of 1st February, 1849, he said :

" There are some who say that foreigners will not give us their production for nothing, and that therefore we have no occasion to concern ourselves as to the means and modes of repayment. There is no doubt that foreigners will not give us their goods without exchange for them ; but the question is what are the terms of exchange most beneficial to us to adopt. You may glut markets, but the only effect of your attempt to struggle against these hostile tariffs by opening your ports is that you exchange more of your own labour every year for a less quantity of foreign labour, that you render British labour less efficient, that you degrade British labour, diminish profits, and, therefore, must lower wages ; while philosophical inquirers have shown that you will finally effect a change in the distribution of the precious metals that must be pernicious and may be fatal to this country. It is for these reasons that all practical men are impressed with the conviction that you should adopt reciprocity as the

principle of your tariff—not merely from practical experience, but as an abstract truth. This was the principle of the commercial negotiations at Utrecht—which were followed by Mr. Pitt in his commercial negotiations at Paris—and which was wisely adopted and applied by the Cabinet of Lord Liverpool, but which was deserted flagrantly and unwisely in 1846."

He also said :

" This is an age of principle and no longer of political expedients; you yourselves are the disciples of economy; and you have on every occasion enunciated the principle that the Colonies of England are an integral part of this country. You ought, then, to act towards your Colonies upon the principle you have adopted, but which you have never practised. But observe how that principle of reciprocity would enable you to reconstruct your commercial system in a manner beneficial to the mother country and advantageous to the Colonies. By extending the tariff of the metropolis to the Colonies you would either secure to them a legitimate advantage in the home market, or, on the other hand, their participation in an interchange of mutual benefit with foreign countries. Reciprocity is indeed a great principle. It is at once cosmopolitan and national. The system you are pursuing is one quite contrary; you go on fighting hostile tariffs with free imports, and the consequence is that you are following a course most injurious to the commerce of the country."

On the 2nd July, 1849, Disraeli said :

" I do not believe it is the Irish famine that has caused this declension in the exchangeable value of the English workmen's labour. It is the hostile tariffs of foreign nations which you have to encounter, which no policy of yours has as yet modified, and which the system you are pursuing aggravates in their consequences. . . . In my opinion we can only encounter the hostile commercial legislation of foreign countries by countervailing duties. . . . If

you persist in your system . . . you will secure further depression, until you reduce our labourers not to the continental level but beneath it. . . . The whole scope and spirit of your system is to render British labour tributary to foreign countries ; that is the result of contending against hostile tariffs with free imports."

In a debate on 14th May, 1850, Disraeli said that the policy of 1842, based upon reciprocity, was right, but that in 1846—

" You commenced the system of allowing free imports to come into this country from countries which met you with hostile tariffs, and in my mind you then took a step most injurious to the rights and interests of labour in this country. The English producer not only had to give his articles of production in exchange for the foreigners' articles, but he had also to pay a duty on the admission of his productions into the foreign market. In fact he paid tribute, and does pay tribute, to the amount of the duty imposed upon him. . . . The real principle of protection, as a general rule, is that free imports shall not be received from any foreign producing country which, by hostile tariffs, refuses to put our producers upon equal terms. . . . I say that is the principle of protection to native industry, and it can be supported not only as high policy but defended as scientific truth. On the principle that no State should send its imports free here which will not receive ours freely too, you will derive the greater portion of your revenue from customs duties. There may be a question as to the degree in which the foreigner may pay a portion of your customs duties, but no man of a temperate order of mind will, I think, be found to maintain that the foreigner pays no portion of it."

Disraeli, replying to Peel on 4 May, 1846, said that the Prime Minister had—

" uttered three or four commonplaces, the prostitutes of political economy, in order to show that you may fight hostile tariffs with free imports. . . . The subject is one

which ought to be most gravely considered by any Minister, for it is amongst the most difficult problems of political science. If a country submits to the imposition of unequal import duties, does she become tributary to the countries by which such unequal duties are imposed? That is an inquiry worth pursuing. And if, in consequence of these hostile tariffs, we give more of our labour for the produce of foreign countries, what effect will this interchange have on the distribution of the precious metals, which are foreign produce?"

It still is an "inquiry worth pursuing." What happens when some nations scientifically control and direct the course of trade, and one nation does not? Had it not been for the fact that we have been able to insist, *vi et armis*, upon the free, or almost free, admission of our manufactures into subject countries like India and Crown Colonies or Protectorates, and into weak though independent countries like China and the Turkish Empire, and had it not been that self-governing British dominions have of late, with the hope of reciprocity on our part, mitigated their tariffs in our favour, how would our trade have stood at the present day? Reliance on the outside world for the necessities of life involves, as a guarantee, supreme command of the sea. The maintenance of a system of free imports and acquiescence in hostile tariffs also involves as a necessary condition the command of a subject Empire in which we can forbid tariffs directed against ourselves. The revolution in policy of 1846 was made possible by the fact that our supremacy at sea was unchallenged, by the fact that we possessed a subject Empire which we could hold open by force for our exports, and by the fact that our manufacturing power was then unrivalled.

It remains to be seen whether this policy can still be maintained if these conditions are altered. At the present day British control of the sea is no longer unchallenged. The subject Empire which we, by command from London, hold open to our exports, has indeed been extended, and is far greater, and is also far more difficult to defend than it was in 1846. We begin to extend self-government to the subject Empire, and may in time find it difficult to enforce free imports upon it. The recent reforms in the constitution of Indian government will make it necessary for Whitehall to listen with more attention than before to the voice of the manufacturing and agricultural interests in that great country. Our manufacturing power is no longer supreme and unrivalled. It was due mainly to the fact that in England a vast amount of easily worked coal lay close both to iron and to seaports. When transport was provided first by waterways and then by railways, this advantage gave to us a long start before foreign competitors. England also had been the only European country unravaged by war during the long revolutionary era. The discoveries of coal and iron elsewhere, in Germany and the United States, and the mighty developments in transport, have deprived us of this advantage. Coal itself seems to be losing its position as the exclusive source of energy, and its place may be taken by oil, which we do not possess, and by the water force of rivers which rush down from lofty snow-covered mountains. The more easily won coal has been extracted, and coal in England can now only be obtained at greater cost. In the earlier part of the nineteenth century the output of machines operated

like the incursion into the world of a vast new force of cheap slave labour, directed by powerful brains, and this output undersold and destroyed the cheap hand labour of the East. But now the cheap labour of the abstemious and disciplined East, in India and Japan and China, begins to work the same machinery. How long will our machinery, worked by dear and often rebellious labour, be able to compete against the same machinery worked by cheap labour? We are losing our monopoly of the Eastern markets, and may some day be invaded in our own home market by Eastern fabrications. Asiatic looms may yet have their revenge upon Lancashire for the destruction of Dacca.

Attacked in our open Indian, neutral, and home markets both by the manufactured goods of protectionist nations and by the products of cheap Eastern labour applying the most modern machinery, shall we, in the end, be able to save our staple manufactures, even in our home market, without readopting a protective policy? Imports will pour in, no longer in the shape merely of food and raw material, but in that of manufactured goods, and will, in the main, represent, not exchange for exports, but the interest upon the vast capital invested abroad by our fathers and ourselves, the modern form of the old tribute from the provinces which in the end ruined the agriculture and industry of Italy under the later Roman Republic and the Empire. As English agriculture was ruined, so by a later development in the same process English manufacturing industry will be destroyed. England will then come to the precarious position of a parasite State dependent upon international money-lending,

a nation of financiers and dividend-drawers, with their artists, servants, shopkeepers, and luxury-providers. It is easy enough to produce statistics showing that, at present, especially when figures and production itself are stimulated by a rise in gold prices, our exports flourish, and that our manufacturing industries do not, as a whole, shrink; but the question still is one of tendencies and relative growth and future probabilities. In some directions the signs of the times have been most ominous and sinister. There are, at least, indications that the period during which the United Kingdom, even with a subject Empire, could afford to stand alone as a free-importing nation in a world of import-controlling Governments may be approaching its close.

When Disraeli said that the whole scope and spirit of the free-importation system was "to render British labour tributary to that of foreign countries" he meant that the effect of the system was to enable foreign Governments to prescribe to some extent the course of British labour. If, for instance, the German Government should (as it does) virtually exclude most articles of British manufacture but leaves its ports open to British coal, or British machinery, or British cotton yarn, it could, to some extent, make British labour and capital flow into those channels preferably to others. If, by using a retaliatory tariff, the British Government could induce the German Government to abolish or abate duties upon British manufactured goods, it would so far counteract this direction of British labour into certain channels to suit German policy. Supposing, again, that the German Government virtually excluded all British

products, but kept its door open to raw materials of manufacture from our debtor countries—from India, Canada, Australia, Argentina. Then German manufactured goods could freely, under our existing system of non-retaliation, stream into England, and would be paid for not by our excluded manufactures, but by orders (through the medium of bills of exchange) upon the debt revenue due to us from those countries. British capital would be more strongly than ever attracted to lands beyond the oceans, and the British artisan would be left with the less work and wages at home, unless he too emigrated, while the German goods which undersold him in our own markets were paid for by the raw material out of which they were made. In this way a nation which “fought hostile tariffs with free imports” might gradually as surely be ruined as would be a nation which fought against trained, disciplined, and scientifically directed legions with men individually good, but unorganized and uncombined. That a nation should arm itself with a protective and aggressive tariff may be as necessary, in certain circumstances, as it may be to train a national army or build a fleet. Such a policy may be at one time as necessary in order to avoid economic downfall as it may be at another to ensure an economic rise. Sallust says, “Imperium facile his artibus retinetur quibus initio partum est”—empire is easily kept by those arts by which it was originally brought forth. If national strength and health are at stake, we may have to forego the pleasure of “buying in the cheapest and selling in the dearest market.” This commercial principle, as Disraeli once said, is a true guide for a shopkeeper, but not for a statesman. It was, he

said, one of the principles which a statesman had to consider, but it was controlled by other principles of more importance, the political and imperial. Most of us agree that greatness in the world-drama, strength, and long continuance—the future desired for Sion by the ancient prophets and psalmists of Israel—are also to be desired for the nation and empire to which we belong. These things are to be desired, and not for a brief space efflorescent wealth, pleasure, and comfort, soon, as in the history of Spain or Venice, to fade into weakness, poverty, and misery.

An individual may legitimately choose poverty and humiliation for the good of his soul, but this is not the business of statesmen responsible for the temporal welfare of a nation. These things belong to different worlds or spheres. It is very possible that the real end and divine idea in all nation and empire building is the evolution of some new manifestation in the sphere of spirit, but this thought should not distract the statesman's mind in the conduct of his own work in this lower world. Most errors arise from confounding things which ought to be distinguished. If the principles of Tolstoi, perhaps of essential Christianity, are applied to national life, they will involve free trade, at all times and under all conditions, as well as cessation of expenditure upon naval or military objects. All these doctrines hold together, and must be taken or left. Nations, like men, must choose, and not, by making a weak blend of opposing ideals, lose this world without gaining the other. Christian principles have produced a leaven in the affairs of this world which may, in the long revolution of time, bring to

an end all war and national rivalry and most of the present functions of government, but nothing can be gained by treating facts which now are as though they were not. He who wills the end must also will the means. An empire can be enjoyed, but it cannot be held by those who act upon the principles, true in their own sphere, of the excellent Society of Friends. The kingdom of Earth, like the kingdom of Heaven, has to be captured and held by those who desire it. Neither kingdom can be preserved except by unceasing strength and vigilance, and, when necessary, by the setting aside of conscientious scruples, traditional habits, and back-holding fears. Honesty is good policy, but not weakness and surrender. In the end, the philosophic justification for a tariff policy is the same as that for a policy of military and naval defence. Wars waged by means of tariffs and other commercial weapons may be at least as dangerous to the life and greatness of a nation as wars waged by force of arms.

The reductions in the hostile tariffs of other nations which our diplomacy did secure in the second half of the nineteenth century were chiefly due to our retention of one important weapon, the duty upon wines, a powerful instrument of negotiation with Southern States. It was used with effect in 1860 and later. In recent years Liberal Governments have sometimes secured more favourable terms by indicating diplomatically to foreign Governments that, if their tariffs were too high, a movement might take place in England which would bring a party into power pledged to return to the old national system. If the fear of such an event is so potent, what might not an actual touch of such policy effect? The traders of

rival countries well know how great is their debt to the free trade of England. A German writer, Professor von Schulze-Gaevernitz, has lately said :

"By its free trade policy England has been more useful to us than its numerous political machinations have been harmful to us. Where would our sugar industry—one of the first items to help us in our economical rise—have been to-day, or our textile and iron industries, had it not been for the free markets of England? Nowhere: we should have been entirely without our new German capital, our financial resources. On the back of free trade England we grasped at and secured our economical world-power. . . . Industrial and political supremacy go together. Warships are machines, and the nation which succeeds in attracting the centre of gravity of capital is the nation that can afford to build most. The present rulers of England represent the fourth generation of dictators to the world. It will not be easy for them to give up the rôle of 'primus inter pares.' "

Reflections of this kind deserve consideration by the English, who are, as Disraeli once said, "an insular people, strong of purpose, but deficient in information." Cobden and other apostles of free trade, sincerely believing what they wished to be true, predicted that other nations would soon be convinced by the doctrine and would follow our example. Other nations did not, in fact, ever adopt the principle. From 1860 there was, indeed (for some twenty years), as there may be again, a decided tendency towards relaxation in tariffs, but after 1880 the tide ran in the opposite direction. All the great States, including our own self-governing Colonies, have protected their own agricultural and manufacturing industries, and under this regime, assisted by our own policy of free imports, our two greatest rivals

in the world-market, the German Empire and the United States of America, have developed their resources in the most amazing manner. The new industrial, military, and naval Empire of Japan, dangerous to us alike in arms and trade, is following in their wake, and, for example, while excluding the products of Lancashire from its own markets, threatens a severe competition against Lancashire in the unprotected markets of India.

## CONCLUSION

A FRENCH historian and statesman, the wise and learned Guizot, writing in 1857, and referring to the increasing democratization of the English political system, said :

" Two results are already visible. At home, in the legislation and daily administration of the country, the progress is immense ; justice, disinterested good sense, respect for all rights, consideration for all interests, the conscientious and searching study of social facts and wants, exercise far greater sway than they formerly did in the government of England ; in its domestic matters and as regards its daily affairs England is assuredly governed much more equitably and wisely. At the summit of the State and in its external relations, in the general designs and permanent conduct of its government, the great political spirit, the spirit of harmony and order, has grown weaker. Not only are the old parties disorganized, but the principles and connecting links which might reform parties capable of governing do not yet appear. In this general confusion and hesitation, public men are becoming enervated and lowered, they are losing that independence of mind, that loftiness of heart, that constancy of view, which characterized the old aristocratic leaders ; they are looking below themselves, and at their feet, for a thread to guide them through the dark labyrinth in which they live, instead of carrying in their hands a torch to enlighten the people and draw them after them. A more generally free and happy state of society, and a less elevated and fixed government—a more agreeable present and a less certain future—such are the advantages

and the evils, the progresses and the injuries, which without a revolution, without a shock, democracy and its increasing empire have hitherto wrought for England." \*

Since Guizot wrote many events have happened ; the English people have travelled far down the democratic road, yet the boundaries of empire have been vastly widened, and national wealth and population have increased. Were Guizot's doubts, then, unjustified, and has democracy, for the first time in history, been made to work successfully with empire? Or is there still some disaccord between a wide-seeing and far-reaching policy, designed to secure the more distant welfare and strength of the nation, and a narrower and more provincial policy which aims, not very successfully as yet, at the immediate and obvious material welfare of the individuals who compose it? Does the democrat still succeed where the aristocrat failed, and fail in those even more essential matters where the aristocrat succeeded? Are statesmen wanting in a certain hardness, that of the surgeon or the soldier, not incompatible with real kindness of heart; do they fail in courage of conviction? Disraeli thought that a truly national party should combine social reform with imperial policy. Does this problem still await its full solution?

Perhaps Disraeli was right when he wrote, in 1852 :

"The truth is, progress and reaction are but words to mystify the millions. They mean nothing, they are nothing, they are phrases and not facts. All is race. In the structure, the decay, and the development of the various families

\* "Memoir of Sir Robert Peel," by M. Guizot, 1857.

of man, the vicissitudes of history find their main solution. The Norman element in our population wanes ; the influence of the Saxon population is felt everywhere, and everywhere their characteristics appear. Hence the honour to industry, the love of toil, the love of money, the hatred of the Pope, the aversion to capital punishments, the desire to compensate for injuries, even the loss of life, by a pecuniary mulct, the aversion to central justice, finally, the disbelief of our ever being invaded by the French. The state of public opinion in this country at present more resembles that of England under Edward the Confessor than under Queen Anne."

This race theory was held by Bismarck, who attributed the rise of modern Prussia to a successful infusion of the Slavonic race into the Teutonic, and the decline of France to the extirpation of its Teutonic aristocracy and the full installation in power of the old Romanized and bureaucratized Celtic race. Anglo-Saxon individualism comes out in such characteristic sayings as, " You mind your business and I'll mind mine," or the poetic advice to little Bo-peep about her sheep, " Let them alone, and they'll come home and bring their tails behind them." These, perhaps, are the unseen foundations of the beautiful fabric of political economy raised by Victorian writers. Have we enough of the Norman genius left to enable us to depart in the higher sphere from the let-alone doctrine and practice, and to resume the methods of an imperial race, not only in arms but in trade ?

A distinguished diplomat, who knew the world, Sir Henry Bulwer, a Liberal in politics, and an early opponent of the sliding-scale Corn Laws, in his " Life of Lord Palmerston," published in 1870, when the new doctrine was in almost unchallenged possession, remarked that :

"The historian who in after times shall write on the decline and fall of British greatness may possibly question the policy with which we have from year to year been separating ourselves from possessions that we might, with the advantages of steam and telegraph, have more closely connected with our central power. There is, in fact, already rising a new school of economists who, without disputing as a general axiom the advantage of buying at the cheapest markets and selling at the dearest, are still disposed to consider that, under our peculiar circumstances, a system of colonial commerce combined with a system of emigration—relieving the mother country from a superfluous population on the one hand, and creating new and certain customers for her on the other—maintaining the feeling of Englishman for Englishman in every quarter of the globe, by giving to our distant countrymen a regular market for their produce, and to our people at home a regular market for their manufactures, *might, on the whole, have been more adapted* to our safe and steady prosperity than a system which destroys the sentiment of natural affection by referring everything to individual interest, and sends us into the world on a speculation for customers whose demands must be regulated by laws over which we have no control, and who, in a free struggle for competition, must force us, if we mean to surpass them, to produce better articles at cheaper labour—a necessity already resisted by trades unions and limitations on working hours, as well as by a Poor Law which deranges the first movements of the machinery by which the principles of free trade are worked out."

These views, he added, the Present was not disposed to accept, and the Future "could only, looking to the condition of things now established, achieve by such arrangements with the colonial Legislatures as it may be possible to imagine, but hardly possible to realize."

The new school of economists, to whom Bulwer referred, are with us now, but they were certainly not

very visible when he wrote that in 1870. The most effective voice raised against the dominant creed was that of Thomas Carlyle, who belonged to no school, and could rarely suggest a definite policy. It was then the very height of the era of free trade policy and finance, individualism, and local nationalism, which found full and glorious personification in the persuasive and eloquent Gladstone. The standard English economic text-books of that time hardly condescended even to state the arguments for free trade, except in the most condensed form. The question seemed to these writers to be settled for ever. There was what Gladstone called "an extraordinary and intoxicating growth" of wealth. England was immensely prosperous; trade and shipping and manufactures and population and revenue were all advancing rapidly. In her prosperity she said, "I shall never be moved, I have made my place so strong," and the prosperity, measured in the often fallacious figures of capital and income, seemed to prove the wisdom of the revolution in fiscal policy. England had no real rival upon the seas either in war or commercial marine, her position in the textile and mineral manufactures, and in the output of iron and coal, altogether eclipsed that of any other nation. We reaped all the commercial advantage of the "*tertius gaudens*" from the German-French War of 1870. Since 1860 in France, and since 1864 in Germany, the tariff barriers against our products had been low, nor did the United States at this period interpose unsurmountable obstacles. The glowing prediction of the inspired Cobdenites that all the nations of the world would follow our noble modern example and

magnanimously buy in the cheapest market, without regard to other principles, or ambitions, at last seemed to be approaching fulfilment.

Later, about the year 1880, a certain turn began in the tide of affairs, and, consequently, in the opinion of English thinkers and men of business. The immense development of ocean transport, and American railways, and in the application of machines to agriculture, had brought the resources of the New World, in a way they had never been brought before, except in the form of gold and silver, to change the balance of the Old. Under the influence of imports into Europe, and also under that of contraction or inadequacy of the currency, the great fall in the price of cereals, which had altered little since 1830, had at last begun. The German Empire, boldly steered by the great and daring Bismarck, met the change by a return, in 1879, to the protective system, which had, for some fifteen years, been more or less abandoned. The new German tariffs were scientifically thought out and widely laid, and were intended to defend German agriculture against American, and German manufactures against English, competition in the home market. England made not the smallest change in her system of admitting all imports free, except a few articles which were taxed for revenue and were selected as not being articles of British production. Other nations, especially the United States of America, followed the example, with small exceptions, of Germany and not that of England.

As the results of this crucial experiment became apparent, there was an increasing change of opinion

in England. It was due to the enormous growth, inexplicable on Cobdenite reasoning, of prosperity in America and Germany. The growth of the United States, it was felt, could be attributed to the great size and immense resources of that country, but the case of Germany was different. Germany had a territory less than twice as large as that of the United Kingdom, less naturally fertile, for the most part badly provided with seaports ; nor did Germany, like England, have the advantage of a great subtropical empire. Yet the German population has grown, at a far more rapid rate than our own, from some 45,000,000 in 1880 to some 66,000,000 in 1912; net emigration from Germany has disappeared, while the net emigration from the United Kingdom has greatly increased. Germany in 1880 was producing only half the amount of iron ore and steel produced in the United Kingdom and now produces twice our amount, is overtaking us in the extraction of coal, and has already outrun us in the consumption of this form of energy, is not far behind in the textile manufactures, and excels our output in many branches of skilled and scientific production. In the size and well-being of its rural population, so important in regard to national health, type, physique, and moral character, and in the output from every branch of a sufficiently protected agriculture, the German Empire has an incomparable advantage. Here Germany continually advances while England stands still or declines. Incomes, wage-standards, savings banks deposits, show the annual wealth (or power over things) of Germany, which must now be considerably greater than that of the much smaller population of the United Kingdom.

The Germans have placed upon the sea the formidable competition of a modern commercial marine, and have founded a war navy which is an admitted rival to our own. Public opinion has also been impressed by the fact that the great self-governing dominions—Canada, Australia, South Africa, New Zealand—have, in recent times, steadily pursued the preferential inter-imperial tariff policy which the United Kingdom, under Peel and his successors, wholly abandoned between 1846 and 1860. These modern States pressed at the Imperial Conferences of 1887, 1897, and 1907 for the general adoption of our too absolutely discarded principle, and have themselves carried it out generously in practice, extending it to one another, to other parts of the Empire, and to the United Kingdom.\* Nothing remains to complete the chain except that the United Kingdom should reciprocate, and that the controlled part of the Empire should be brought fully into the circle. The future seems to lie not with Peel's policy of 1846, as developed by that great servant of his time, William Gladstone, but with Peel's abandoned policy of 1842, a *via media* built upon, but wisely modifying, the old national policy of England.

One is tempted vainly to wish that the old import duties, with their preferential modifications, had never been wholly abolished, however low they might have been brought. They would have supplied all these years some revenue levied upon the most equitable basis, pressing lightly everywhere and heavily nowhere; they would have been

\* Of course Australia and South Africa did not, as political units, exist, the one until 1900 and the other till 1910, but the general colonial sense was apparent at all the Conferences.

a mighty weapon for preventing, not necessarily by its actual employment but by its mere existence, the exclusion of our manufactures by duties levied in foreign custom houses, and they would have afforded the means of strengthening the bonds between the severed units of the British Empire. It would have been easier, perhaps, to maintain and adapt than it is to rebuild. Regret is vain. If statesmen who depend for power and place upon the vote of the whole population have the masculine strength and courage and foresight of the old aristocratic leaders, if they can harden their hearts and stiffen their backs a little, can suppress sentimental demagogues, and themselves lead the people to a sacrifice more apparent than real, there may even be great advantage in the complete clearance of the old tariff fabric from the ground. As Peel found the system, it was like an old mansion, built at various times, by various builders, and to serve various objects ; it was full of inconveniences and anomalies and inconsistencies. Now the site is clear and empty, a new house can be built upon scientific and modern principles. One can easily conceive a system by which the existing oppressive duties concentrated upon the consumers of a very small number of articles shall be halved or quartered, duties upon a moderate ad valorem scale shall be applied to foreign manufactures, steps be taken to discriminate in favour of all imports from other regions of the Empire, or, specially, against foreign nations whose Governments refuse to trade upon fair terms. The position of the self-governing Colonies is now clear, as it was not in Peel's time. Agreement, or arrangement, between the different free Governments of the King takes the place of

edicts from Westminster. The Imperial Conference as it exists, or any more constant or permanent form of Imperial Council which may come to exist, is a convenient form for arriving at such agreement in matters of foreign, naval, military, and commercial policy. The present Canadian Prime Minister, Mr. Borden, has taken as his device the words "Co-operation and Autonomy."

It was, no doubt, an advantage of the free trade revolution that it cleared away so completely, though not quite immediately, the old idea of regulation of the trade of the Empire from Westminster, and allowed the Colonies to develop their full autonomy in economic as well as in purely political matters. This left the ground open for the building, when the hour and the men should come, of a new fabric, based not upon the maternal authority of the United Kingdom, but upon agreement on equal terms between the several Governments, including our own, of the States composing the British Empire. In this way the division of authority which took place in the nineteenth century should become the foundation of a new union built of stronger materials, and accordant to facts as they now stand.

Mr. Balfour, in a speech made at Birmingham on 14th November, 1907, gave the best definition of the position of those who desire a wise and moderate change in the existing system. He divided the reform into four heads, those of—

- (1) Broadening the basis of taxation ;
- (2) Safeguarding our great productive industries from unfair competition ;
- (3) Strengthening our position for the purpose of negotiating in foreign markets ; and

(4) Establishing preferential commercial arrangements with the Colonies, and securing for British producers and workmen a further advantage over foreign competitors in the colonial markets.

To these he added "four conditions," viz., "the first is that your duties should be widespread; the second is that they should be small; the third is that they should not touch raw material; the fourth is that they should not alter the proportion in which the working classes are asked to contribute to the cost of Government."

This would be a judicious return towards the policy initiated by Pitt before the great war, resumed by Huskisson and Canning, and continued by Sir Robert Peel in 1842, but abandoned by him in 1846.\* It lies half-way between, on the one side, the eighteenth-century Whig policy of monopoly and exclusion, and, on the other, the extreme, and now declining, Victorian policy. There is no good reason why modern Liberals, who are certainly not economic pedants, and have abandoned almost too much the let-alone policy in other matters, should not accept this course. It is a line of onward travel consonant with English genius, always and rightly guided by instinct and by experience more than by academic reasoning, avoiding the too much and the too little, the too fast and the too slow, and not unwilling to retrace some steps in order to strike the right path. The earlier part of Queen Victoria's reign, in social economics, was that which, three centuries earlier, the earlier

\* It is, however, a question whether there should not be a light duty on raw material, except on that produced within the Empire. The present writer thinks that there should be.

360        THE FALL OF PROTECTION

Tudor period had been in the sphere of religion—a time of revolution and disintegration.

“ The solemn rites, the awful forms,  
Founder amid fanatic storms ;  
The priests are from their altars thrust,  
The temples levelled with the dust.”

An era of destruction or dissolution should be followed by an Elizabethan age of reconstruction or modified reintegration.

## APPENDIXES

### APPENDIX I

**AVERAGE ANNUAL AND DECENTNIAL PRICES OF WHEAT PER QUARTER IN ENGLAND, 1771-1910.**

YEAR.	AVERAGE PRICE FOR YEAR.	AVERAGE PRICE FOR TEN YEARS.	YEAR.	AVERAGE PRICE FOR YEAR.	AVERAGE PRICE FOR TEN YEARS.
1771	48 7		1809	97 4	
1772	52 8		1810	106 5	83 11
1773	52 7		1811	95 3	
1774	54 8		1812	126 6	
1775	49 10		1813	109 9	
1776	39 4		1814	74 4	
1777	46 11		1815	65 7	
1778	43 3		1816	78 6	
1779	34 8		1817	96 11	
1780	36 9	45 10	1818	86 3	
1781	46 0		1819	74 6	
1782	49 3		1820	67 10	87 6
1783	54 3		1821	56 1	
1784	50 4		1822	44 7	
1785	43 1		1823	53 4	
1786	40 0		1824	63 11	
1787	42 5		1825	68 6	
1788	46 4		1826	58 8	
1789	52 9		1827	58 6	
1790	54 9	47 11	1828	60 5	
1791	48 7		1829	66 3	
1792	43 0		1830	64 3	59 5
1793	49 3		1831	66 4	
1794	52 3		1832	58 8	
1795	75 2		1833	52 11	
1796	78 7		1834	46 2	
1797	53 9		1835	39 4	
1798	51 10		1836	48 6	
1799	69 0		1837	55 10	
1800	118 10	63 6	1838	64 7	
1801	119 6		1839	70 8	
1802	69 10		1840	66 4	56 11
1803	58 10		1841	64 4	
1804	62 3		1842	57 3	
1805	89 9		1843	50 1	
1806	79 1		1844	51 3	
1807	75 4		1845	50 10	
1808	81 4		1846	54 8	

## APPENDICES

YEAR.	AVERAGE PRICE FOR YEAR.	AVERAGE PRICE FOR TEN YEARS.	YEAR.	AVERAGE PRICE FOR YEAR.	AVERAGE PRICE FOR TEN YEARS.
	s. d.	s. d.		s. d.	s. d.
1847	69 9		1879	49 10	
1848	50 6		1880	44 4	51 0
1849	44 3		1881	45 4	
1850	40 8	53 3	1882	45 1	
1851	88 6		1883	41 7	
1852	40 9		1884	35 8	
1853	53 3		1885	32 10	
1854	72 5		1886	31 0	
1855	74 9		1887	32 6	
1856	69 2		1888	31 10	
1857	56 5		1889	29 9	
1858	44 8		1890	31 11	35 9
1859	48 10		1891	37 0	
1860	58 8	54 7	1892	30 0	
1861	55 4		1893	26 0	
1862	55 5		1894	22 10	
1863	44 9		1895	23 1	
1864	40 2		1896	26 2	
1865	41 10		1897	30 2	
1866	49 11		1898	34 0	
1867	64 5		1899	25 8	
1868	63 9		1900	26 11	28 2
1869	48 2		1901	26 9	
1870	46 10	51 0	1902	28 1	
1871	56 8		1903	26 9	
1872	57 0		1904	28 4	
1873	58 8		1905	29 8	
1874	55 8		1906	28 3	
1875	45 2		1907	30 7	
1876	46 2		1908	32 0	
1877	56 9		1909	36 11	
1878	46 5		1910	31 8	29 10

## APPENDIX II

## POPULATION OF THE UNITED KINGDOM.

## APPENDIX III

EXTRACT FROM J. G. COLMER'S "STATIST" ESSAY OF 1896,  
APPENDIX K, P. 48.

Prior to 1842 many articles of colonial production enjoyed preferential treatment in Great Britain. Some instances are given in the following table of duties:

Articles.	British Possessions.	Foreign Countries.
Arrowroot ... ...	1s. per cwt.	2d. per lb.
Ashes (pearl and pot) ... ...	Free	6s. per cwt.
Bark ... ...	1d. per cwt.	8d. per cwt.
Cocoa ... ...	2d. per lb.	6d. per lb.
Coffee ... ...	6d. per lb.	9d. to 1s. 3d. per lb.
Furs (undressed) ... ...	About 100 per cent. less than foreign countries	
Hides (untanned) ... ...	£5 17s. 6d. per cent.	20 to 80 per cent.
Hides (tanned) ... ...	3d. to 4½d. per lb.	6d. to 9d. per lb.
Molasses ... ...	9s. per cwt.	£1 8s. 9d. per cwt.
Rice ... ...	1s. per qr.	2s. 6d. per bushel.
Sugar ... ...	24s. per cwt.	68s. per cwt.
Timber ... ...	About 700 to 1,000 per cent. less than foreign	
Tobacco (unmanufactured) ... ...	2s. 9d. per lb.	8s. per lb.
Whale fins ... ...	£1 per ton	£95 per ton
Wines ... ...	2s. 9d. per imperial gal.	5s. 6d. per imp. gal.
Wool... ...	Free	½d. to 1d. per lb.

The duties on wheat were regulated by a sliding scale, according to the market value. The average duty on foreign wheat in 1840 was 15s. 7d. per qr. and on colonial wheat about 8s. 2d. per qr.

Even in the famous Act of 1846 practical discrimination was made in favour of wheat imported from the Colonies. The duty on foreign wheat between 1846 and 1849, when the price was under 48s. per qr., was fixed at 10s. per qr., the duty decreasing until it became 4s. per qr. when wheat was valued at 58s. per qr. and upwards. On wheatmeal and flour, for every barrel of 196 lb. the duty was equal in amount to the duty payable on 38½ gallons of wheat. During this period the duty on colonial wheat was 1s. per qr. and on flour 4d. per cwt. The duties on foreign and colonial grain and flour were equalized in 1849, when they became 1s. per qr. for wheat and 4d. per cwt. for flour. These latter duties were abolished in 1869.

Notwithstanding the great changes in the fiscal policy of Great Britain in 1846, discrimination was continued in favour of the Colonies, as seen in the following table:

Articles.	British Possessions.	Foreign Countries.
Barley ... ...	6d. per cwt.	1s. per cwt.
Butter ... ...	2s. 6d. per cwt.	10s. per cwt.
Cheese ... ...	1s. 6d. per cwt.	5s. 6d. per cwt.
Cotton manufactures ... ...	5 per cent.	10 per cent.
Hair manufactures ... ...	5 per cent.	10 per cent.
Rice ... ...	6d. per cwt.	1s. per cwt.
Skin manufactures ... ...	5 per cent.	10 per cent.
Soap (hard) ... ...	14s. per cwt.	£1 per cwt.
Soap (soft) ... ...	10s. per cwt.	14s. per cwt.
Tallow ... ...	1d. per cwt.	1s. 6d. per cwt.
Tongues ... ...	2s. per cwt.	7s. per cwt.
Twine ... ...	5 per cent.	10 per cent.

It was not till 1860 that most of these duties were abolished.

Since 1860 the Colonies have been treated the same as foreign countries in connection with the imports into Great Britain.

**APPENDIXES****APPENDIX IV****BANKING IN ENGLAND AND WALES (see page 154).**

**NOTE ISSUE BY PRIVATE AND JOINT-STOCK BANKS AND BANK OF ENGLAND  
IN CIRCULATION ON A GIVEN DAY.**

YEAR.	DAY.	PRIVATE AND JOINT-STOCK BANKS.	BANK OF ENGLAND.
1860	2 June	£ 6,557,106	£ 22,251,000
1897	12 June	1,481,675	27,326,258
1911	24 June	165,126	28,651,055

**SCOTLAND.****NOTE ISSUE BY CHARTERED AND JOINT-STOCK BANKS.**

YEAR.	DAY.	AMOUNT.
1860	2 June	£ 4,572,068
1897	12 June	7,874,969
1911	24 June	7,886,960

**IRELAND.****NOTE ISSUE BY JOINT-STOCK BANKS AND BANK OF IRELAND.**

YEAR.	DAY.	JOINT-STOCK BANKS.	BANK OF IRELAND.
1860	2 June	£ 8,502,478	£ 8,827,200
1897	12 June	8,650,654	2,858,150
1911	24 June	4,516,778	8,027,700

## APPENDIX V

## ABSORPTION OF PRECIOUS METALS BY INDIA (see page 159).

A Roman writer complaining of the constant outflow of gold and silver from Europe to India in exchange for fine muslins, etc., said, " See how much women's luxury costs us." This drain has probably continued in varying strength throughout civilized history. Europe and other regions have always needed the products of India more than India has needed their products, and the balance has been paid in specie. Gold and coins are imported into India and vanish there. Adventurers in the epoch of Clive and Warren Hastings brought back much treasure from the Indian hoards, and these returns sent up prices at the end of the eighteenth century and made agriculture and industry flourish. Since then, under a conscientious and well-ordered government, with an increasing and secure trade and an increasing balance of exports from India, the tide has resumed its course with swollen amplitude. If the existing goldmines were some day exhausted and none new discovered, the drain of metals to India, which now checks the rise of prices in Europe, would lead to a deep fall in prices, and might thus paralyse industry in Europe. In recent years the Indian Government has pursued an artificially contractive policy, intended to maintain or enhance the purchasing power of the silver rupee. This has been the object of the long closings of the Indian Mint since 1895, and the imposition of a 4 per cent. duty upon the import of silver bullion.

Figures showing the absorption of treasure by India are, in the following tables, given in detail for two recent years, and more generally for the years 1903-4 to 1911-12:

## NET IMPORTS INTO INDIA OF GOLD AND SILVER BULLION AND COIN.

	1910-11.		1911-12.	
	Quantity.	Value.	Quantity.	Value.
Total imports of gold ...	Oz. 4,527,061	\$ 18,595,009	Oz. 6,871,312	\$ 27,662,404
Total exports of gold ...	688,638	2,609,240	647,286	2,489,230
Net imports of gold ...	3,843,423	15,985,769	6,224,026	25,178,184
Total imports of silver ...	69,272,819	7,895,567	70,878,747	7,984,828
Total exports of silver ...	14,896,080	2,142,048	38,149,647	4,426,717
Net imports of silver...	54,376,289	5,753,524	32,929,100	3,558,111

## APPENDICES

TABLE FOR 1903-4 TO 1911-12.

YEAR.	TOTAL IMPORTS INTO INDIA OF GOLD AND SILVER BULLION AND COIN.	TOTAL EXPORTS FROM INDIA OF GOLD AND SILVER BULLION AND COIN.	NET IMPORTS OF TREASURE.
1903-4	£25,684,000	£9,961,000	£15,723,000
1904-5	26,939,000	11,027,000	15,812,000
1905-6	21,101,000	10,318,000	10,788,000
1906-7	29,718,000	8,812,000	25,906,000
1907-8	28,190,000	8,682,000	24,558,000
1908-9	15,168,000	4,218,000	10,950,000
1909-10	25,016,000	4,266,000	20,750,000
1910-11	26,491,000	4,751,000	21,740,000
1911-12	35,647,000	6,916,000	28,731,000
Total ...	283,949,000	58,891,000	174,458,000

In the years 1903-10 inclusive, gold to the total value of £18,025,000 was produced in India itself.

Taking gold bullion and coin only, India seems to have absorbed during the period 1903-11 about £25,000,000 from the United Kingdom on net balance for the total period, and nearly the same amount from Australasia, besides large amounts from African and Asiatic countries and her own production.

In the years 1904-11 (inclusive) the United Kingdom imported a total value of £882,526,000 in gold, and exported, to all countries, a value of £945,527,000, retaining for home use a total net balance of £86,999,000. The total annual output of new gold in the world in the last two or three years has been estimated as nearly £100,000,000. A report of the Director of the United States Mint estimated the stock of gold held by the leading banks in Europe and America at £500,000,000 on December 31, 1899, and £850,000,000 on December 31, 1910.

## APPENDIX VI

REVENUE DERIVED IN CERTAIN YEARS FROM CUSTOMS,  
EXCISE, AND INCOME TAX.

YEAR.	CUSTOMS.	EXCISE.	INCOME TAX.
1841	28,821,000	15,478,000	Not levied
1845	22,008,000	15,464,000	5,306,000
1850	22,194,000	15,984,000	5,617,000
1870	20,205,000	22,437,000	7,460,000
1890	19,480,000	24,788,000	18,250,000
1911-12	88,649,000	38,380,000	44,804,000

Death duties, which in the period 1840-50 produced less than £3,000,000 a year, produced in 1911-12 the sum of £25,392,000.

The population of the United Kingdom was in 1911 almost exactly double what it was in 1851.

## APPENDICES

## APPENDIX VII

The following table, extracted from a paper in the *Times* of 21 July, 1913, shows the singular position of agriculture at the present date in Great Britain relatively to other countries.

COUNTRY.	NO. OF INHABITANTS PER SQUARE KILOMETRE.	PERCENTAGE OF OCCUPIED POPULATION ENGAGED IN AGRICULTURE.
Hungary ... ... ...	64 (1910)	69·7 (1900)
Austria ... ... ...	95 (1910)	60·9 (1900)
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